

## **complaint**

Ms A and Mr F complain that a mortgage recommended by Legal & General Partnership Services Limited wasn't suitable. Ms A and Mr F are represented by a solicitor, which I'll refer to as the representative. They ask for compensation.

## **background**

In December 2006 Legal & General recommended Ms A and Mr F take out a part interest only and part repayment mortgage and consolidate their debts. Ms A and Mr F also took out an unsecured loan of £30,000 at the same interest rate as the mortgage. The representative says the mortgage recommended by Legal & General was unsuitable for a number of reasons. This includes unnecessary debt consolidation and borrowing to fund an accident, sickness and unemployment (ASU) policy.

The adjudicator didn't recommend that the complaint should be upheld. He said the mortgage documents showed that Ms A and Mr F's key objective was to reduce their outgoings. They intended to start new business ventures. The adjudicator said:

- The remortgage allowed Ms A and Mr F to consolidate the secured loan into their mortgage at a lower interest rate.
- The new mortgage was part repayment and part interest only. Ms A and Mr F's previous mortgage was interest only. The remortgage reduced the amount of debt Ms A and Mr F were paying on an interest only basis.
- The mortgage documents say Ms A and Mr F couldn't afford a repayment mortgage. They intended to pay off lump sums and/or change to a repayment mortgage after five years.
- The credit card debt had significantly higher interest rates than the new loan. While consolidating the unsecured loan meant increasing the interest rate and extending the term, it allowed Ms A and Mr F to reduce their monthly outgoings.
- As the ASU policy was the subject of a separate complaint the adjudicator said he wouldn't comment on this.
- It was reasonable to recommend the mortgage. Consolidating their debts allowed Ms A and Mr F to reduce their monthly outgoings. It seemed likely they would have gone ahead with the remortgage even if Legal & General hadn't recommended a ASU policy.

Ms A and Mr F didn't agree. The representative said the adjudicator had relied on references to Ms A and Mr F setting up new businesses when this wasn't clearly evidenced. He said they hadn't brought a complaint about the sale of the ASU policy to this service. The representative said the need to borrow money to pay for the policy had led to increased borrowing and unsuitable debt consolidation. He said the credit card debt was being repaid at about £100 and £150 each month and would have been cleared within one to two years.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete,

inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Legal & General recommended the mortgage. So it needed to obtain all relevant information and ensure the mortgage was suitable for Ms A and Mr F's needs and circumstances.

Legal & General provided copies of the mortgage sale documents, including the mortgage record of suitability, the key facts documents, the mortgage offer and the client review. When Ms A and Mr F contacted Legal & General they had an interest only mortgage of £212,000, a secured loan of about £35,000, credit card debts of about £5,000, and an unsecured loan of about £3,000. Ms A and Mr F had monthly mortgage and loan repayments of about £1,400 and made payments to their credit card accounts of about £400.

Legal & General recommended a £244,500 part interest only and part repayment mortgage with a 25 year term. £71,200 was on a repayment basis. The interest rate was fixed at £5.89 until 2012. Ms A and Mr F also took out a £30,000 unsecured loan at the same interest rate with the same lender. The proceeds were used to repay the interest only mortgage, the secured and unsecured loans and the credit card accounts and to pay fees and fund the ASU policy. Monthly payments for the mortgage and unsecured loan were about £1,495.

The mortgage documents say that while Legal & General would usually recommend a repayment mortgage this wasn't affordable. Ms A and Mr F said they would pay lump sums or change to a repayment mortgage after five years. They were prepared to sell the house to repay the mortgage if needed.

While a large part of the mortgage loan was on an interest only basis, I don't think this meant it was wrong to recommend that the secured loan was consolidated into the mortgage. The overall effect was that more of the debt owed by Ms A and Mr F was on a repayment basis. The interest rate was lower than the secured loan. There was no significant increase in the term.

The mortgage interest rate was lower than the interest rate on the credit card accounts and higher than the unsecured loan. Consolidating the credit card debt and unsecured loan meant the debt was repaid over a longer period, which is more expensive. But it also meant Ms A and Mr F's monthly outgoings were lower.

Legal & General says the ASU policy was cancelled in 2007 and it made an offer related to the ASU policy in 2013. The representative says the cost of the policy – which was paid for by borrowing – had an effect on the mortgage advice. But I think it's likely that Ms A and Mr F would have remortgaged and consolidated their debt regardless of the ASU policy. They wanted to reduce their monthly outgoings.

The mortgage sales documents say Ms A and Mr F intended to start new businesses. I don't think Legal & General needed to ask them for evidence of this. I think it was reasonable for Legal & General to take this into account when assessing the suitability of the mortgage for their needs and circumstances. Ms A and Mr F wanted to keep their monthly outgoings to a minimum in the near term. They intended to make overpayments or change to a repayment mortgage in future when their businesses were better established. Overall, I don't think Legal & General's recommendation was unsuitable.

**my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A and Mr F to accept or reject my decision before 6 April 2018.

Ruth Stevenson  
**ombudsman**