complaint

Mr and Mrs E complain that they were mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited (L&G).

background

In 2006 Mr and Mrs E took advice from L&G about their mortgage. Their existing mortgage was part interest only, part repayment, at an interest rate of 6.59%, with a remaining term of 6 years. There were two endowment policies, both projecting a substantial shortfall. They also had four unsecured loans, comprising three credit cards and a car loan.

Following L&G's advice they re-mortgaged to a term of ten years on a repayment basis, with a fixed rate for two years at 4.39% and with the loans consolidated. Mr and Mrs E's representative complained that it was unsuitable to consolidate the unsecured loans into a ten year mortgage. Increasing the term of their unsecured debt was not justified based on their financial circumstances.

Our adjudicator didn't recommend that the complaint be upheld. Including the endowment premiums the income and expenditure form recorded disposable monthly income, after all loan and general living expenditure, of £6. This was not sufficient for the family. Mr and Mrs E's main priority was to have the mortgage repaid at expiry, particularly as they could no longer rely on the endowments to provide this. Affordability was also a major issue to try to give them a little more disposable income each month, while at the same time addressing the repayment of their outstanding debts.

The need to increase the term was made very clear. Mr and Mrs E stated their agreement to this in order to have more disposable income and only have one payment going out each month. They appreciated that they would be unable to afford a shorter term, and the adjudicator considered they would most likely have needed to consider extending the term anyway. If the mortgage remained on interest only and the endowments did not reach the target amount, then they would have needed to arrange to repay the shortfall. The only way they would have achieved this was to convert the shortfall to repayment and extend the term.

Mr and Mrs E's representative didn't agree. If the new mortgage was affordable and they could reduce discretionary expenditure without harming their standard of living, it was also affordable for them to maintain some of the debts outside of the new arrangement and borrow less overall.

my findings

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

Having done so, I'm not persuaded to depart from the adjudicator's recommendation. It was appropriate to review Mr and Mrs E's current arrangements, and the cost of servicing the unsecured debt was significant.

I also agree with the adjudicator that it's likely there would have had to be an adjustment when the existing term expired, as the endowment policies were not on target to repay the mortgage. Following the re-mortgage Mr and Mrs E's monthly outgoings reduced significantly and the mortgage would be repaid at the end of the term.

I don't consider that the recommendation to re-mortgage and advice to consolidate were unsuitable.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs E to accept or reject my decision before 8 April 2016.

Edward Callaghan
ombudsman