complaint

Mr and Mrs F say that mortgage advice they received from GE Money Lending Solutions (an appointed representative of GE Money Home Lending Limited) was unsuitable.

In particular, they don't think it was good advice to consolidate some of their existing debts.

background

Mr and Mrs F remortgaged with GE Money Home Lending ("GEMHL") in 2007. Their new mortgage was recommended to them by GE Money Lending Solutions ("GEMLS").

Under their new mortgage, Mr and Mrs F redeemed their existing mortgage with GEMHL and incurred an early repayment charge ("ERC") in doing so. They also consolidated other borrowing (on secured loans with another branch of GE Money and some credit card debt).

Mr and Mrs F raised a complaint last year about the mortgage advice they'd received from GEMLS. They didn't think the debt consolidation had been suitable, as it had ended up costing them much more in interest.

GEMHL said the complaint had been raised outside of time limits within the complaint-handling rules laid down by the industry regulator, the Financial Conduct Authority. Mr and Mrs F referred the matter to us, and we thought it had been raised in time. So one of our investigators looked into things.

Our investigator didn't think GEMLS's advice had been unsuitable, so she didn't think the complaint should be upheld.

As Mr and Mrs F didn't accept our investigator's view, their complaint was referred to me to decide.

my provisional decision

I wrote to both parties with my provisional decision on Mr and Mrs F's complaint last month. I said:

> The 'fact find' document completed by the GEMLS adviser at the time recorded Mr and Mrs F's objectives in remortgaging were to clear a £3,700 credit card debt, reduce their monthly outgoings and consolidate their borrowing so as to have a single monthly payment. Mr and Mrs F have confirmed their intentions but now believe it to have been bad advice to go ahead.
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> There are pros and cons to debt consolidation – it's not something that's inherently bad, or unsuitable. Whether it's suitable for a borrower will depend on their needs and circumstances. So I've looked at Mr and Mrs F's situation at the time in considering whether GEMLS's recommendation was suitable.

Firstly, Mr and Mrs F wanted to consolidate their debts to reduce their outgoings and it seems to me that they had a need for this. They had a number of secured and unsecured debts, with an outstanding County Court judgement against them and two having been cleared in the recent past. The fact find records that the payments they were making to existing debts as:

	outstanding balance	monthly payment
mortgage	£67.578.18	£596.58
secured loan 1	£21,056.72	£227.57
secured loan 2	£5,901.85	£95.04
credit card 1	£3,700	£150
credit card 2	£1,500	£75
credit card 3	£550	£40
storecard	£2,616	£100
total	**£102,902.75**	**£1,284**

Under the remortgage, Mr and Mrs F consolidated the £3,700 credit card debt along with the two secured loans. The new mortgage had a fixed rate of 7.39% (for the first two years) – lower than Mr and Mrs F's existing deal of 8.25% and much lower than the rates being applied to the secured loans (of around 11%). The credit card rate wasn't recorded, but it's also likely to have been higher than the mortgage rate: it's not unusual for such borrowing to be charged at 15% or more, as our investigator pointed out.

Under the new arrangement, Mr and Mrs F's outgoings were reduced to:

	outstanding balance	monthly payment
mortgage	£101,896.40	£832.96
credit card 2	£1,500	£75
credit card 3	£550	£40
storecard	£2,616	£100
total	**£106,562.40**	**£1,047.96**

So the new arrangement brought all their secured lending into one monthly payment, at a lower, fixed rate which allowed them greater control over their finances. It also allowed them to clear their highest credit card debt, as they'd wished. And it meant they were now paying around £236 less towards their debts each month. I think that's quite a significant reduction in their outgoings, of the kind they would've been looking to achieve at the outset. It therefore met their stated objectives.

It's also worth pointing out that making payments to the credit card wouldn't necessarily have been paying it off – they're likely to have been making only minimal inroads into the balance owed. Comparatively, by consolidating it within the mortgage Mr and Mrs F were guaranteed to repay the amount they owed so long as they made their mortgage payment each month.

I've also noted that the mortgage term was actually reduced slightly from that of their existing arrangement to ensure that the loan was repaid ahead of their anticipated retirement at age 65. But despite now paying back the mortgage over a shorter term, they were still paying significantly less each month than they had been previously.

The question then is whether the costs outweighed these benefits. I know Mr and Mrs F believe that their new mortgage rate was higher than their previous one, but I don't think that was the case. I've seen the paperwork for the previous mortgage which confirms they were fixed into a rate of 8.25% until January 2009. So I don't agree that it cost them more in the first two years. As set out above, rather than costing them £6,600 I think it actually *lowered* their payments over that period. By reducing their payments by £236 a month, over the term of the two-year fixed rate deal that was a total of £5,664.

I agree that they had to increase their borrowing in order to go ahead. They had to pay fees of around £2,000 to the broker and lender in respect of setting the mortgage up. They also had to pay ERCs totalling around £1,600 to come out of their existing arrangements. These fees were added to the mortgage, incurring interest. So it was a relatively expensive way to go about rearranging their finances.

In addition, while Mr and Mrs F benefitted from a lower interest rate under their new arrangement, the term of some of their previous borrowing had now been extended – meaning they'd be paying it back for longer (and so incurring interest for longer too). Mr and Mrs F attached a credit card debt that they *may* have been able to clear within a few years to the mortgage, which had a 19-year term. And one of their secured loans (with a balance of around £5,900) had just under 8 years left before it would be paid off in full – so Mr and Mrs F are now paying this for 11 years more. That said, the majority of the consolidation was for Mr and Mrs F's secured loan of £21,000 – which still had 19 years left to run. So Mr and Mrs F weren't paying any more or for any longer on this – they were simply refinancing it at a much lower rate (from around 11.5% to 8.25%).

Taking everything into account, I don't think GEMLS's advice was unsuitable – in short, the pros outweighed the cons. The remortgage allowed Mr and Mrs F to achieve their primary aim of lowering their monthly outgoings – and by a significant amount. I think it's fair to say they had a need for this, and it was the driver for them seeking advice in the first place. As documented at the time, they had accumulated a number of secured and unsecured debts and encountered some difficulty in maintaining the necessary payments as evidenced by the CCJs against them.

Mr and Mrs F would, in all likelihood, have also been able to benefit from continuing preferential rates on the consolidated debts over the years that followed – given that mortgage lending rates dropped over time, the interest they paid on these amounts would've been lower than had they remained on their existing terms. And more broadly, the recommended mortgage allowed Mr and Mrs F more certainty in their budgeting – bringing all their secured lending into one monthly payment and fixing it for the duration of the two-year period.

So while I appreciate Mr and Mrs F's comments that they were financially unsophisticated and relied entirely on GEMLS's advice, I can't see that they've been disadvantaged by doing so.

> I've taken into account Mr and Mrs F's point that they believe they could've got a better deal from a high street lender but were discouraged from approaching one by the adviser. There's little in the way of documentary evidence to support their recollections here, as the notes made by the adviser at the time seem to contradict this somewhat: he said he'd made Mr and Mrs F aware that more favourable deals might be available but that *they* felt their CCJs could hinder them.
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> In any event, even if I accept Mr and Mrs F's version of events, these comments don't strike me as incorrect or misleading. I think there's a very real prospect that the CCJs against Mr and Mrs F – along with their broader financial circumstances at the time – made it highly unlikely that they would've met the stricter criteria of a high street lender at the time. So given what I've seen of their situation, I don't think it was unreasonable for the adviser to recommend the two-year fixed rate deal – with a view to revisiting their arrangements when that came to an end.
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> And so based on everything I've seen so far, I don't think GEMLS did anything wrong in the sale of this mortgage to Mr and Mrs F. So I'm not intending to uphold their complaint.

Both parties confirmed they'd received my provisional decision. Neither party responded with any further information or evidence for me to consider.

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, and with no new information for me to consider, I see no reason to reach a different conclusion. So this final decision confirms my provisional findings as set out above.

my final decision

For the reasons I've explained, I don't uphold Mr and Mrs F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 2 November 2019.

Ben Jennings
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