complaint

Mr and Mrs B complain about the advice given to them by AWD Home Finance Limited, a mortgage broker and an appointed representative of Legal & General Partnership Services Limited. They say they were mis-sold a mortgage and payment protection insurance. A claims management company (CMC) brings this complaint on Mr and Mrs B's behalf.

background

L&G recommended a mortgage to Mr and Mrs B in 2005. The CMC says the advice given to Mr and Mrs B to re-mortgage and consolidate debts was unsuitable.

Our adjudicator didn't recommend that Mr and Mrs B's complaint should be upheld, saying:

- Mr and Mrs B wanted to reduce the proportion of their mortgage on an interest only basis due to a forecast shortfall on an endowment policy.
- Mr and Mrs B's product had ended on their existing mortgage. They wanted to consolidate debts and have one manageable monthly payment.
- While it looked like Mr and Mrs B could have maintained payments for their unsecured debts from their income, this wouldn't have achieved their aim of having one manageable payment. The balance of one credit card account was low. But if Mr and Mrs B had wanted to repay this from their disposable income they could have done so before re-mortgaging.
- Mr and Mrs B had brought a complaint about the accident, sickness and unemployment policy (ASU) in 2012.

The CMC responded on behalf of Mr and Mrs B. It said Mr and Mrs B could have asked their existing lender to increase the proportion of the mortgage loan on a repayment basis. It said it was more likely the broker had suggested one manageable payment to justify the debt consolidation. It didn't provide a cost comparison and without this Mr and Mrs B couldn't make an informed decision.

The CMC said Mr and Mrs B didn't need a new mortgage as they had monthly disposable income of more than £520. And the interest rate on the new mortgage wasn't substantially better and didn't justify the £15,000 of fees involved in re-mortgaging.

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.

The broker recommended the mortgage to Mr and Mrs B. So it needed to take reasonable steps to ensure the mortgage was suitable – including gathering information about Mr and Mrs B's needs and circumstances. L&G provided copies of the paperwork from the time of the sale of the mortgage, including the client review, a fact find and a mortgage record of suitability.

While the CMC says Mr and Mrs B were cold called and pressured into meeting with the broker I haven't seen evidence to support this.

The broker's sales documents say Mr and Mrs B wanted to know what their maximum monthly payments would be for the next few years and keep their costs to a minimum. They wanted to refinance existing debt into the mortgage balance and address the shortfall in their policies for paying the interest only part of their mortgage. They also wanted some other features – such as the ability to make over or underpayments.

Mr and Mrs B had a mortgage of about £87,000, of which £39,000 was on a repayment basis and £48,000 was on an interest only basis. Their product had ended, the interest rate was 5.3% and no ERC was payable. Mr and Mrs B also had had three credit card accounts with a balance of nearly £20,000, a secured loan of £35,000 and overdrafts of £2,600.

The documents say Mr and Mrs B made monthly payments of £510 for their secured loan and £630 for their mortgage. The client review says they made monthly payments of £350 to their credit card accounts – although the fact find says this was about £1,000. The minimum monthly payments would likely have been about £590. If Mr and Mrs B made minimum monthly payments to their credit card accounts, their monthly debt repayments would have been about £1,700.

Following the brokers recommendation Mr and Mrs B took out a £162,000 mortgage with a term of 11 years. About £121,000 was on a repayment basis and £41,000 was on an interest only basis. The interest rate, which was fixed for five years, was 4.99%. Initially, the contractual monthly payments were £1,363.

Mr and Mrs B's monthly debt repayments reduced as a result of the re-mortgage and debt consolidation. The documents suggest they had surplus income of over £500 each month. But it appears this didn't include making minimum payments for their credit card accounts. They had used or were close to their credit limits for their credit cards (about £21,000) and overdrafts (£2,600). The interest rate on the secured loan was 11.3% and the remaining term was about 8 years.

The documents say that consolidating short term debt into the mortgage would be more costly overall, but Mr and Mrs B wanted to reduce their outgoings and have one manageable payment. While the CMC now says this wasn't what Mr and Mrs B wanted there's nothing in these documents to support this.

While the CMC says Mr and Mrs B incurred costs of about £15,000 to re-mortgage, about £10,000 related to the ASU policy. L&G responded to a complaint about this in 2012 and Mr and Mrs B accepted its offer of compensation.

Nonetheless, Mr and Mrs B incurred costs in re-mortgaging, such as lenders and brokers fees and conveyancing costs, of about £5,000. I don't think it was unreasonable or unusual for these fees to be deducted from the mortgage proceeds. Mr and Mrs B agreed to this. It seems unlikely they had other means of paying the fees.

There were costs involved with the re-mortgage and debt consolidation. But, overall, I don't think the recommendation was unsuitable. It met Mr and Mrs B's aims – to reduce the interest only portion of the mortgage and reduce their outgoings. Although their mortgage loan increased, about £35,000 of the debt they consolidated was previously secured on their house and had a much higher interest rate. Re-mortgaging reduced the remaining mortgage term by about 9 years, meaning it ended before Mr B reached normal retirement age and likely reduced the amount of interest they paid over the term.

The CMC says Mr and Mrs B could have achieved this more cheaply by approaching their existing lender. It's not clear that the broker discussed this with them. But based on the available evidence I don't think I can fairly find they lost out as a result. It's not clear that their existing lender would have offered Mr and Mrs B additional lending for the debt consolidation, or other changes such as reducing the mortgage term or the amount of the mortgage on an interest only basis, more cheaply overall.

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 Mr and Mrs B to accept or reject my decision before 10 January 2020.

Ruth Stevenson
ombudsman