

complaint

Mr and Mrs G's complain they were badly advised by Legal & General Partnership Services Limited (L&G). They say the advice to consolidate some of their unsecured debts into their mortgage was unsuitable. Mr and Mrs G are also unhappy that the advice to remortgage their property when they did meant they had to pay an early repayment charge (ERC) when redeeming their existing mortgage. Finally, Mr and Mrs G also complain that a fee of £199 to purchase a wills and estate planning package shouldn't have been added to their mortgage. They want compensation for this poor advice. Mr and Mrs G are represented in their complaint by a complaint management company, BF.

background

Mr and Mrs G spoke to L&G at the start of 2007 about their financial position. At that time their existing mortgage had an interest rate that was fixed until August 2008. Between them, Mr and Mrs G also had three unsecured personal loans and two credit cards. It was documented that their monthly income was around £170 more than their outgoings.

L&G advised Mr and Mrs G to take out a new mortgage with a new lender. The new mortgage was for a higher amount than their existing one. This was to let Mr and Mrs G release some money to pay off their unsecured debts and reduce their monthly outgoings. As the fixed rate on their existing mortgage still had around eighteen months to run, they had to pay an ERC of £1,128.56 when they remortgaged.

Earlier this year Mr and Mrs G complained to L&G that the advice to consolidate their debts wasn't suitable. BF said it was unsuitable to repay these debts with a twenty year mortgage and to incur a £1,500 ERC eighteen months before it was due to expire. It also asked how the wills and estate planning package could have been suitable when it was chosen before Mr and Mrs G had met with the provider.

L&G found that it was right to consolidate the majority of the debts. But it said it shouldn't have advised Mr and Mrs G to repay the smaller of the two credit cards. L&G also said the fee for the wills and estate planning package shouldn't have been added to the amount borrowed on the new mortgage. So it offered compensation totalling £326.03 for these issues. Mr and Mrs G weren't happy with this and brought their complaint to us.

One of our adjudicators looked at Mr and Mrs G's case. She said it was clear Mr and Mrs G didn't have enough funds to support a family on, especially if an emergency occurred. The adjudicator didn't think the overall advice given by L&G was unreasonable and didn't ask it to pay more than it had already offered. BF disagreed. It said there was no evidence that Mr and Mrs G needed to consolidate their debts or were exceeding any overdraft facilities.

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 upholding this complaint. I'll explain why.

Firstly, BF has confirmed there is no dispute over the redress L&G has offered for the wills and estate planning issue and repaying the small credit card balance. I understand the offer for these is still available for Mr and Mrs G to accept.

I'll now turn to the advice L&G gave to consolidate the rest of their debts. Based on the information Mr and Mrs G gave to the adviser, their monthly income was around £170 more than their outgoings. I think this would have been the maximum monthly surplus. If anything, it may have been less as the net monthly income figure for Mr G doesn't seem to have made much of an allowance for his tax deductions. After the remortgage, Mr and Mrs G's surplus monthly income increased by over £200. The increase was actually slightly more, but I've not included the payment on the small credit card in this figure.

BF has said there was no evidence that Mr and Mrs G needed to consolidate their debts or were exceeding any overdraft facilities. I don't agree. The bank statement I've seen for Mrs G from August 2006 shows her account being overdrawn and fees being added to it. Also Mr and Mrs G had a quite large amount of unsecured debt in relation to their total income. So I'm satisfied that while they may not have been failing to make the payments on their credit commitments, Mr and Mrs G didn't have a great deal to spare, especially given that at the time they had two young children. So I'm satisfied that remortgaging to consolidate these debts was a reasonable way to give them more disposable income each month and take the pressure off their finances.

BF has pointed to the fact, based on Mr and Mrs G's income and expenditure, the new lender was willing to lend them even more than they borrowed. It says this refutes the adjudicator's argument that Mr and Mrs G were struggling financially. But as this extra amount wasn't a great deal more than they did borrow, it would only have cost slightly more each month than the mortgage that was taken out. So I don't think the lender's willingness to lend Mr and Mrs G a little bit more can be taken as a sign they were financially comfortable.

By consolidating the unsecured debts, Mr and Mrs G added just over £10,000 to their secured debt. It's important to point out that consolidating these debts into the mortgage wasn't something that should have been done without considering the negative consequences – such as the debts costing more in the long term. But I can see the adviser did make Mr and Mrs G aware of this. And, after remortgaging, their disposable monthly income had increased significantly. So I'm satisfied it was reasonable for the adviser to recommend consolidating their debts.

BF says it was unsuitable for L&G to advise Mr and Mrs G to incur a redemption penalty that expired shortly after the remortgage completed. The ERC was for £1,128.56. It wouldn't have expired until eighteen months after the Mr and Mrs G remortgaged. I'm satisfied that over this period, the benefit of the £200 a month increase in their disposable income outweighed the cost of the ERC.

my final decision

My final decision is that I don't uphold this complaint in the sense that I'm not asking Legal & General Partnership Services Limited to do, or pay, more than it's already offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 24 July 2017.

John Miles
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