

complaint

Mr and Mrs M complain that an authorised representative of Legal & General Partnership Services Limited mis-sold a mortgage to them. They ask for compensation. Mr and Mrs M are represented by a firm of solicitors.

background

Legal & General recommended an interest only mortgage to Mr and Mrs M in mid 2007. They paid an early repayment charge to their previous lender, consolidated some debts and added fees and charges to the mortgage loan balance. Their representative says the mortgage and debt consolidation recommended by Legal & General wasn't suitable.

The adjudicator didn't recommend that the complaint should be upheld, saying Legal & General had dealt with the complaint fairly. The adjudicator said the recommended mortgage and debt consolidation met Mr and Mrs M objectives. Mr and Mrs M were made aware that the mortgage was on an interest only basis and they'd have to pay the early repayment charge for their existing mortgage. Legal & General assessed the monthly payments as affordable. Mr and Mrs M were able to maintain monthly payments and make overpayments.

Legal & General offered to refund interest related to the cost of a will package and £150 compensation for any inconvenience. The adjudicator didn't recommend that Legal & General should do more.

Mr and Mrs M didn't agree. In summary, their representative said the repayments weren't affordable and Legal & General used the opportunity to sell an insurance policy and a will package as well as the mortgage. The representative said Mr and Mrs M could have repaid their previous mortgage in late 2008 using the endowment policies and without incurring an ERC. It said this was an advised sale so it wasn't enough for Legal & General to provide information to Mr and Mrs M.

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 to Mr and Mrs M. So it needed to obtain all relevant information and ensure the mortgage was suitable for their needs and circumstances.

Legal & General completed a fact find and a mortgage record of suitability. These documents say that Mr and Mrs M had an interest only mortgage of about £58,000. They also had a secured loan and an unsecured loan totalling about £31,000. Their monthly payments for the mortgage, the secured loan and unsecured loan came to about £915.

Mr M had been made redundant in late 2006 and received a lump sum of about £65,000. Mr and Mrs M wanted to reduce their outgoings. They didn't want to use the lump sum or other savings to repay debts. They wanted to retain their savings until their circumstances

improved. Mr and Mrs M had endowment policies due to mature in 2008 with a value of about £57,000 which they intended to use to reduce the mortgage loan.

Legal & General recommended Mr and Mrs M take out an interest only mortgage of about £98,500 with a seven year term and use the proceeds to repay their mortgage, their secured loan and their unsecured loan.

Was the mortgage affordable?

Legal & General's sale documents record Mr and Mrs M's net monthly income as about £2,000 and their monthly expenditure as about £1,265. Its records say that Mr and Mrs M intended to use proceeds of about £57,000 from their endowment policies to reduce the mortgage. They had savings of about £68,000 they could use to reduce the mortgage. And Mr and Mrs M wanted a short fixed rate period as they expected to sell the house in about two years time.

I think it was reasonable for Legal & General to assess the monthly mortgage payments of £482 as affordable. It discussed with Mr and Mrs M how the mortgage would be repaid and had no reason to think their repayment strategy wasn't credible and realistic.

Debt consolidation

Mr and Mrs M's representative says their secured and unsecured loans shouldn't have been consolidated into an interest only mortgage. The representative also says debt consolidation wouldn't have been needed if Mr and Mrs M hadn't had to meet the cost of other products sold to them by Legal & General.

Legal & General recorded Mr and Mrs M's net monthly income as about £2,000 and their expenditure as about £1,265. This didn't leave enough income to meet the monthly payments for their existing mortgage and loans.

I don't think the recommendation to consolidate debt was unsuitable. It met Mr and Mrs M's aims of reducing their outgoings while allowing them to retain their savings. The mortgage terms allowed them to make unlimited overpayments when their endowment policies matured and when their circumstances improved. The debt consolidation could have increased the term and costs of repaying the secured and unsecured loans. But Mr and Mrs M's particular circumstances meant they'd be able repay a large portion of the mortgage loan well within the seven year term. I think Legal & General made Mr and Mrs M aware of the costs and risks associated with the debt consolidation.

The early repayment charge

Mr and Mrs M's representative says Legal & General shouldn't have recommended that they re-mortgage while an ERC would apply to their existing mortgage. The ERC was £570 and applied until November 2008. Legal & General's records say that Mr and Mrs M chose to pay the ERC to benefit from re-mortgaging immediately. Given Mr and Mrs M's need to reduce their monthly outgoings and the amount of the ERC, I don't think the ERC meant the mortgage recommendation was unsuitable.

Sale of other products

Mr and Mrs M took out other products with Legal & General with the costs added to the mortgage. I don't think it's reasonable to say that Mr and Mrs M re-mortgaged and/or consolidated their debts in order to meet the cost of these products. I think they re-mortgaged to reduce their debt repayments and they would have done this regardless of whether they took out the other products.

Given Mr and Mrs M's circumstances, I think the mortgage recommended by Legal & General was suitable.

Legal & General says it made an offer relating to an accident, sickness and unemployment policy which Mr and Mrs M accepted in 2012. It offered to refund interest applied to the mortgage related to the cost of a wills package and to pay £150 for any inconvenience. I don't think it's fair and reasonable, in the circumstances, to require it to pay more compensation than this.

my final decision

My decision is that I do not uphold this complaint as I find the compensation offered by Legal & General Partnership Services Limited fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 1 March 2018.

Ruth Stevenson
ombudsman