

complaint

Mr D and Ms E complain that the mortgage recommended to them by Legal & General Partnership Services Limited (L&G) was unsuitable.

background

Mr D and Ms E received advice on a re-mortgage in 2005 from a representative of L&G and this included a recommendation to consolidate existing unsecured debts. They are represented in this complaint and it is said that they did not need to consolidate debts and that the implications of doing this were not made clear to them.

The adjudicator did not recommend that the complaint should be upheld. He said that:

- It was noted at the time of the advice that it was a priority for Mr D and Ms E to make their debt repayments more affordable.
- L&G explained the implications of consolidating unsecured debts in a suitability letter and the total cost was shown in a key facts illustration.
- The repayment term was extended but he could not see this was inappropriate.
- Mr D and Ms E received information from L&G about its service and the fees it was to receive were clearly set out.
- There is insufficient evidence to suggest that the advisor put his own interests ahead of those of Mr D and Ms E.

The representative of Mr D and Ms E said that they did not agree. In summary, it said that Mr D and Ms E were cold called by L&G, persuaded to follow an unsuitable recommendation when they had no pressing financial need to do so and did not understand the consequences. It said that they paid significant fees and did not benefit from the re-mortgage and that L&G breached relevant mortgage regulations.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I would first say that it is not the role of this service to monitor and interpret compliance with the Mortgages and Home Finance Conduct of Business sourcebook - that is the role of the regulator. But, I will clearly take into account that this mortgage lending was subject to regulation in deciding what is fair and reasonable.

I note that it is disputed that Mr D and Ms E were cold called and L&G said that this was not its practice. A considerable period of time has now passed since this advice was given and it is difficult to determine what happened. I do not, as a result, consider that I can assume, as Mr D and Ms E want me to that they were cold called. In addition I would still need to be persuaded that the recommendation was unsuitable before I could go on and possibly find, for example, that they were unduly influenced or pressured to take this mortgage.

It is not in dispute that their overall monthly payments were reduced and they received the additional funds they wanted for spending. In fact they received more than they asked for but I accept as L&G say that this was not to their disadvantage and there was an overpayment facility on the mortgage.

The suitability letter says that “...*having one manageable payment is most important to you*”. This is supported by what I consider to be detailed notes in a client review document which state that their biggest priority was to reduce outgoings. I am not persuaded that L&G needed to demonstrate that Mr D and Ms E did not have a monthly surplus after spending in order to support the case for the refinance of debt. As a result I do not agree, as it has been argued, that every unsecured debt had to be considered in turn to determine whether the cost of refinancing it over a longer term was more or less than it would have otherwise been. I can see that the implications of securing these debts was explained in the suitability letter and the full costs of the mortgage were set out for them including in the mortgage offer they accepted.

Mr D and Ms E re-mortgaged it seems to a lower interest rate than they were paying to their existing mortgage lender. There was a reduction in their overall monthly outgoings starting from 2005. The fees and implications of this re-mortgage in my view were reasonably brought to their attention and I am not persuaded on the evidence that the advice was unsuitable.

I appreciate that Mr D and Ms E will be disappointed by my decision.

my final decision

In light of the above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D and Ms E to accept or reject my decision before 4 March 2015.

Michael Crewe
ombudsman