Financial Ombudsman Service

complaint

Ms D, represented by a claims management company, complains that she was mis-sold a mortgage by an approved representative of Legal & General Partnership Services Limited ("L&G").

background

In 2005, Ms D had a mortgage with around nine years left to run. She also had a large secured loan and significant credit card debts – the additional borrowings totalled more than the outstanding mortgage balance, and more than one year's gross income.

On a recommendation from L&G, Ms D re-mortgaged. In doing so, she switched lender, consolidated the debt to the mortgage and reduced the term to seven years, coinciding with her reaching the age of 65. To make the new loan affordable, £25,000 of it was arranged on an interest only basis (the previous loan had been fully repayment).

Ms D's representative now complains that the mortgage was mis-sold. It says that taking part of the borrowing on an interest only basis was not appropriate because there was no repayment vehicle put in place. It says that she should not have been advised to proceed, and should not have been advised to consolidate the credit card debts – although it had previously said that consolidating the bulk of the credit card debts *was* good advice.

Our adjudicator didn't consider the mortgage to have been mis-sold, and so the case comes to me for a final decision to be made.

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'm satisfied that a suitable recommendation was made in this case. Prior to re-mortgaging, Ms D had a mortgage and a large secured loan that both ran past her retirement age, as well as large credit card debts. The combined repayments left her with little disposable income each month.

After the re-mortgage, she had a larger disposable income and one consolidated debt that would end at her retirement. I therefore consider that, in allowing her to reduce her outgoings and prepare for a debt-free retirement, a suitable recommendation was made.

I'm not persuaded that the recommendation to put part of the mortgage on an interest only basis was unsuitable. Had that not been done, the mortgage would not have been affordable. And while no repayment vehicle was arranged, there was a repayment strategy. It is recorded in the record of suitability, and in a letter of instruction written and signed by Ms D, that it was her intention to use her state pension (which would become available in two years' time, while she was still working and during the mortgage term) to make overpayments, and then use her pension lump sum on retirement to pay off any remaining balance. This is a plausible and realistic strategy.

Ms D's representative now says that no lump sum is available to her. I haven't been given any evidence one way or the other about her pension arrangements.

However, regardless of whether there is a lump sum in fact now available to her, I'm satisfied that at the time she thought that there was, and that it was on that basis that the recommendation was made. I therefore can't say that, based on the information available to the adviser at the time, the recommendation was unsuitable.

Ms D's representative complains that a self-certification mortgage was arranged. So it was, and I can see no reason why one was necessary. However, it appears to be competitive with the standard mortgages also sourced at the time, and so I can't see that Ms D has suffered any detriment as a result.

Ms D's representative says that she felt intimidated by the advisor into taking out the mortgage. It also says that she was cold-called by the adviser. There isn't enough evidence to support either of those complaints. But for the reasons I have given, I am satisfied that a suitable recommendation was made.

my final decision

For the reasons I have given, my final decision is that I don't uphold this complaint.

Simon Pugh
ombudsman