

## **complaint**

Mr and Mrs W are unhappy with the mortgage advice they received from an appointed representative of Legal & General Partnership Services Limited ("L&G").

Mr and Mrs W are represented in bringing this complaint by a claims management company ("CMC").

## **background**

Mr and Mrs W remortgaged in 2005. They did so on the advice of a broker from the firm Carrington Carr, which was an appointed representative of L&G at the time.

The CMC has raised a number of concerns with the advice given to Mr and Mrs W. In summary, they say that Mr and Mrs W were misadvised to consolidate other debts within the new mortgage. That included a credit card balance that had been subject to a 0% promotional rate – so this, in particular, was now going to cost them a lot more over the term of the mortgage. Mr and Mrs W were also advised to take out a will package and use a particular firm of solicitors for the conveyancing work – and the CMC thought the costs for these additional services had been excessive and inappropriately added to the mortgage balance.

L&G didn't think the mortgage advice had been unsuitable. It said that Mr and Mrs W had been able to consolidate £7,700 of credit card debt and borrow an additional £11,000 for their desired home improvements, while increasing their monthly outgoings by just £36.30 a month. But it did accept it had been inappropriate to fund the cost of the will package through the remortgage, so it offered to refund the interest that this had accrued along with £150 compensation for the inconvenience caused.

One of our investigators looked into things, but didn't think L&G needed to do anything more. She didn't think it had been a good idea to increase the mortgage to pay for the will but thought L&G's offer remedied this fairly. She didn't think Mr and Mrs W had been overcharged or misled in respect of the other costs involved. And while she appreciated it wasn't generally good advice to consolidate debt that wasn't attracting interest, she noted that Mr and Mrs W had only been paying £40 a month to the £5,400 balance. So in the circumstances, she didn't think it had been unsuitable to consolidate this within the new mortgage.

As the CMC didn't accept our investigator's view, the complaint was passed to me to decide.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I should point out that while I've reviewed everything both parties have sent us, I won't comment on each and every point that's been raised. Rather my findings are focused on those issues which I consider most relevant to how I've reached my decision, which I hope neither side will see as discourteous.

### *The suitability of the mortgage advice*

Mr and Mrs W wanted to borrow additional funds to carry out home improvements. The fact find documents completed by the broker also indicate that Mr and Mrs W wanted to clear their “revolving credit” – in other words, their three credit card balances. They also indicate Mr and Mrs W were seeking the certainty of knowing the absolute maximum payment they’d need to make each month to service their debt.

The mortgage recommended by L&G’s broker achieved these aims. They were able to borrow an additional £12,000 to fund their home improvement work and £7,700 to repay their credit card debts. Consolidating the unsecured debts within the mortgage and then fixing into a new rate gave Mr and Mrs W the certainty in their payments that they were seeking.

It’s not always good advice to consolidate existing debts within a mortgage: there’s a balance of pros and cons to consider. So I’ve considered whether it was suitable for Mr and Mrs W in light of their individual circumstances.

Mr and Mrs W said they were already paying £124 towards their credit cards each month. So on top of their existing mortgage (which cost them £276 a month), this meant a monthly payment of £400 towards their borrowing. Under the new mortgage, these four payments were replaced with just one. It was slightly higher – at £436.30. But this was now also paying off a significant amount of additional borrowing. It also meant they would be paying off the debts outstanding on the credit cards – rather than just making minimum payments to cover interest.

While Mr and Mrs W would now be paying a much lower interest rate (at least as compared to two of their previous credit card accounts), the CMC understandably questions the merit in consolidating the largest credit card debt (£5,400) given Mr and Mrs W had told the broker that this card was subject to a 0% deal. So they were now paying interest on that £5,400 balance when they weren’t previously. And for each of the consolidated debts, by adding them to the mortgage Mr and Mrs W were now likely to be paying the debt off over a much longer term – thereby incurring more interest.

I’ve thought about these points carefully. But I still think it was suitable to proceed. It’s not known exactly how long that 0% deal would’ve lasted – and the CMC, understandably given the time that’s passed – hasn’t been able to tell us. So it’s highly likely that the balance would’ve reverted to a more typical rate – in the region of 15% - after at least a couple of years, significantly increasing the minimum monthly payment. It would’ve taken Mr and Mrs W *at least* 11 years to repay the £5,400 balance at the rate of their existing payments, even if they continued to be charged no interest. And therefore they would’ve needed substantially longer, or to pay substantially more, to repay that debt in the likely event that the 0% came to an end.

So I think there was still benefit to Mr and Mrs W in consolidating all the credit card debt within the new mortgage, especially bearing in mind that they were already going to be making some changes to their arrangements anyway. It gave them the stability of one fixed payment, ensuring the debt would be repaid and insulating them from the significantly higher interest rates applicable to credit card borrowing – along with the lower monthly payments as explained above. From what I’ve seen of their financial circumstances at the time, they were operating on a relatively tight budget and I think this gave them some valuable stability.

I've noted the CMC's concerns that the broker failed to provide enough information to Mr and Mrs W to enable them to make an informed decision. I can't know now what was discussed, but notes made at the time do suggest a conversation was had about the fact that the reduction in payments needed to be weighed up against a higher cost overall. I accept that the particular calculations to flesh that out might not have been produced. But as I think it represented a suitable option for Mr and Mrs W, I'm not persuaded that they would (or should) have opted against it even if better information had been presented. So these points don't lead me to a different conclusion on this issue.

### *The will package*

Alongside the mortgage, the broker made arrangements for Mr and Mrs W to review their will. I don't think it was bad advice to do that. I note the CMC accepts the importance of making a will, but thinks the fee for this (of around £464) was excessive. But I don't think I can hold the broker responsible for the fee. If Mr and Mrs W think they were overcharged, that would be a matter to take up with the third party who provided the will package itself.

The CMC has made a number of other arguments about the referral by the broker to a particular will-writing company, most notably that the two businesses had directors in common. I don't find that this renders advice to take out a will inherently unsuitable or inappropriate. It seems to me that Mr and Mrs W would've had the opportunity to decline a review of these arrangements if they'd not wished to proceed. So I can't see any basis on which to require L&G to refund the fee for the will package, as the CMC has requested.

I do however think it's down to the broker that the will package was paid for with the mortgage funds. L&G has already accepted that may not have been suitable for Mr and Mrs W. And I think it's made a fair offer to resolve that: by reimbursing them for any interest incurred by adding the cost to the mortgage and paying them £150 compensation for any inconvenience caused.

### *The legal costs*

The completion statement shows that Mr and Mrs W paid a legal administration fee of £522.88. The CMC says those costs were unnecessary, as they could've got free legal services through the lender. But L&G says that wasn't the case. I've not seen anything to show that free legal services were available, so it seems Mr and Mrs W would always have needed to pay for the conveyancing work to be done.

I note, though, that the mortgage product recommended to Mr and Mrs W did have a 'help with costs' incentive, under which they were given £750 by the lender on completion. That seems to have more than covered the legal and administration fees.

The CMC notes that some of the costs in respect of the legal work were charged by the broker rather than the solicitor. I don't find anything inherently unreasonable in that; there are a number of administrative procedures that need not have been carried out by a solicitor. The broker advised Mr and Mrs W of the likely legal fees at the outset and to whom they'd be paid, when they confirmed their instruction to pay £195 plus VAT for such costs to the solicitors and £250 plus VAT to the broker. That's what they paid, so I can't say they were misled or misinformed.

The legal costs were paid with additional mortgage funds, but that's not uncommon and I can't see that Mr and Mrs W would've preferred to pay them upfront. They had the option of paying them off when in receipt of the £750 incentive proceeds, but it would've been up to them to arrange that.

The CMC also raised concerns that the broker received commission for recommending the firm of solicitors used for the conveyancing work. But while the complaint's been with us, L&G has made an offer to resolve that aspect of the complaint which the CMC has accepted. So I make no finding on that matter here.

**my final decision**

Legal & General Partnership Services Limited has already made an offer to settle Mr and Mrs W's complaint that I think is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 10 January 2020.

Ben Jennings  
**ombudsman**