complaint

Mr and Mrs G complain that they received unsuitable mortgage advice from SBA Financial Ltd. Mr and Mrs G have also made a complaint about the lender, which I am considering separately.

background

In 2007 Mr and Mrs G took mortgage advice from SBA. They were recommended an interest-only mortgage over 8 years, with a monthly repayment of just under £1,000 for the first 59 months, reverting to the lender's standard variable rate after that. At the time Mr G was 57 and Mrs G 52. She was the main wage earner and intended to work until the age of 65.

Mr and Mrs G had substantial unsecured debt of about £70,000. About £32,000 of this was to be repaid out of the new mortgage.

SBA also recommended ISAs as a repayment vehicle for about half the mortgage debt.

Mr and Mrs G also had an endowment policy. It seems that the ISAs, the maturing endowment and overpayments made by Mr and Mrs G were intended to ensure the mortgage would be repaid in full by the end of the term.

Unfortunately shortly after the mortgage was taken out Mr G became seriously ill and was unable to work for several years. The ISAs were never taken out and the endowments were surrendered. Mr and Mrs G had to enter into an IVA with their creditors. The mortgage is due to be repaid in less than two years' time.

Mr and Mrs G consider the advice they were given to have been unsuitable. In summary they say they should have been told to enter into a debt management plan by the adviser, rather than him arranging a new mortgage for them.

The complaint was considered by one of our adjudicators, who didn't recommend it should be upheld. Mr and Mrs G disagreed, and asked for an ombudsman to review the complaint.

my findings

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

At the time they consulted SBA, Mr and Mrs G were both working and had a joint income of about £49,000. They had substantial unsecured debts, some of which they rolled up into their new mortgage.

Although Mr and Mrs G say they should have been advised to enter into a debt management plan, I don't consider the broker was under an obligation to point them in that direction. I say this because Mr and Mrs G had managed their debts well – there were no arrears or county court judgments. So, according to the Mortgage (Conduct of Business) Rules, the broker didn't need to refer Mr and Mrs G to debt counselling.

The term of the mortgage was acceptable – it would end when Mr G was 65. Mrs G was the main earner and, several years younger than her husband, she intended to work until 65.

I'm also satisfied that the repayment method for the mortgage appeared to be suitable. If the advice had been followed, Mr and Mrs G's remaining unsecured debts would have been repaid sequentially, leaving additional funds for overpayments on the mortgage.

I am very sorry to hear about Mr G's health difficulties, which have had a devastating effect on Mr and Mrs G's life. The implications for the mortgage is that the plans envisioned for repaying it (ISAs, maturing endowments and overpayments) did not come to fruition.

But this isn't something which either Mr and Mrs G or SBA could have predicted at the time the advice was given.

Taking into account all the circumstances of this case, I'm satisfied the advice was suitable.

I know this will be disappointing news for Mr and Mrs G. But overall, given Mr and Mrs G's situation in early 2007, I'm unable to find the broker acted incorrectly.

my final decision

My final decision is that I do not uphold this complaint.

Jan O'Leary
ombudsman