complaint

Mr and Mrs T - represented by a third party - complain that Legal & General Partnership Services Limited ("L&G") mis-sold their mortgage. They say the advice to consolidate unsecured debts onto the mortgage was wrong, and the new life assurance policy set up wasn't needed.

background

Mr and Mrs T had an existing mortgage and met with an L&G adviser in 2007 to arrange a remortgage. It was recorded that they wanted to reduce their outgoings and have just one manageable payment a month.

In 2012 Mr and Mrs T complained that the payment protection insurance ("PPI") policy sold with this mortgage had been mis-sold. That complaint was upheld and L&G refunded the cost of the policy to Mr and Mrs T, minus the amount that had been paid out for a successful claim.

In 2017 Mr and Mrs T raised a new complaint about the suitability of the mortgage. They said that if the PPI hadn't been sold they would have achieved their aim to reduce their outgoings, without needing to consolidate their unsecured debts.

Our investigator didn't recommend that the complaint be upheld and so Mr and Mrs T's representative asked for the case to be passed to an ombudsman for a final decision.

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 understand the concern about consolidating shorter term unsecured debts onto a mortgage. But having considered all the submissions it seems Mr and Mrs T wanted to not only reduce their outgoings, but also have "one manageable payment". This need was met by the debt consolidation.

Mr and Mrs T's representative has said that if the PPI hadn't been set up then that would have helped towards the aim of reducing Mr and Mrs T's outgoings. But that wouldn't have achieved the other aim of having just one payment.

I understand Mr and Mrs T's representative isn't arguing that the credit card debt shouldn't have been consolidated, only that the car loan shouldn't. He says this is because it had a favourable rate of interest, just under four years to run and a car is a depreciating asset.

Whilst I've had regard to these points, I'm not persuaded by them. The rate of interest on the mortgage was still lower than the car loan and with nearly four years to run that was still a significant timeframe for Mr and Mrs T to maintain those payments on top of their mortgage if the loan wasn't consolidated. Whilst a car is a depreciating asset that doesn't automatically make consolidating the debt onto a mortgage unsuitable. Some people borrow money on their mortgage for a wedding, holiday or school fees. Whilst all valid reasons to borrow, none of those have any "asset", depreciating or not.

At the time this remortgage was arranged Mr and Mrs T had an unsustainably low level of disposable income each month, and a significant amount of unsecured debt when compared to their annual incomes. Any extra money Mr and Mrs T could save each month would only be a good thing as they had simply no leeway each month in their budget, and no savings; so if any unexpected bill came in then they'd have struggled.

I agree if the PPI hadn't been sold it would have lowered Mr and Mrs T's outgoings, but that equated to less than £50 a month. By consolidating the debts Mr and Mrs T's outgoings went down by significantly more than that, leaving them with the safety net they needed each month to hopefully then not need to rely on further personal debt. Having considered everything I'm satisfied the consolidation wasn't unsuitable bearing in mind Mr and Mrs T's documented needs, wants and circumstances.

Mr and Mrs T's representative has said the decreasing term assurance that was sold to protect this mortgage wasn't needed as Mr and Mrs T already had cover. But it seems their representative hasn't understood what our investigator said, as the new policy provided a *higher* amount of cover (starting at about £52,000 rather than the existing £45,500) for a *lower* monthly cost (being about £22 a month rather than £27 a month). So that's £6,500 *more* cover for £5 *less* cost. The representative hasn't said that the new policy was at all substandard compared to the old, so it's not clear why the representative feels getting more cover for less money constitutes bad advice.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 6 July 2018.

Julia Chapman
ombudsman