complaint

Mr and Mrs B complain that they were mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited ("L&G").

background

On two occasions, in 2005 and 2007, Mr and Mrs B took mortgage advice from L&G. In 2005 they re-mortgaged – changing lender, consolidating unsecured debt and fixing the interest rate for two years. After the fixed rate period ended in 2007, they changed lender again, and borrowed further capital.

Mr and Mrs B's representative now says that both recommendations were unsuitable, because the debt consolidation was inappropriate, because switching lender both times was unnecessary and incurred additional cost, and because they didn't require further capital. It also complains of how Mr and Mrs B were initially contacted.

L&G says that the recommendations were suitable, and our adjudicator agreed, 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. Having done so, I have come to much the same conclusions as the adjudicator, and for much the same reasons.

Taking the 2005 recommendation first, I'm not persuaded that debt consolidation was inappropriate. Mr and Mrs B had two loans, one large and one rather smaller. Their representative only says that the smaller loan was inappropriately consolidated, but I have considered both.

Mr and Mrs B had a credit card with a balance of around £1,300. They had a £25,000 loan at 8.9% with over twelve years remaining, and a £3,400 loan at 12% with two and a half years remaining. All were consolidated to the mortgage, which was over a 13 year term with an initial two year fixed rate of 4.74%.

I don't consider this to have been an unsuitable recommendation. Mr and Mrs B, according to their representative, wanted to save money – and this, by reducing their monthly outgoings, achieved that. The mortgage analysis records that re-financing debt was a high priority. While the client review doesn't record additional borrowing for debt consolidation, the suitability record confirms that Mr and Mrs B wanted to reduce their monthly outgoings. Taking everything into account, I'm satisfied that Mr and Mrs B wanted to reduce their outgoings and consolidating debt achieved that.

Given the difference in interest rates, and the similarity of the term lengths, between the mortgage and the large loan, I'm not persuaded that the recommendation to consolidate debt led to additional long term costs either. Mr and Mrs B's representative accepts that in respect of the large loan, but says that the smaller loan and credit card should not have been consolidated. However, looked at in the round, I'm satisfied that consolidating all the unsecured debt saved money in the short term and didn't cost extra in the long term – and so I don't uphold this complaint.

But the result was that Mr and Mrs B wanted to borrow significantly more money. This would have required an application to their existing lender for a further advance. I can't say whether or not this would have been granted; even if it had been, they would still have incurred product, valuation and broker fees, and possibly legal fees. And I can't say what product would have been made available to them. I therefore can't say that switching lenders was more expensive.

The 2005 recommended mortgage met Mr and Mrs B's objectives. It allowed them to reduce and fix their outgoings. I don't consider it to have been unsuitable.

The 2007 mortgage recommendation also met Mr and Mrs B's objectives at the time, and again I don't consider it to have been unsuitable. It isn't clear from the documentation for what purpose additional capital was raised, or whether – or to what extent – Mr and Mrs B wanted it. However, it was a fully flexible mortgage and so any additional funds could have been paid back without penalty at any time if they were no longer needed. The selected loan, taking into account product fees, was the cheapest available on the source list. While it represented a change from the existing lender, I have no evidence of what products the existing lender had available or Mr and Mrs B's eligibility for them.

Finally, I don't have enough evidence to determine how Mr and Mrs B were initially contacted. However, I don't consider it relevant to the question of whether, once they agreed to proceed, the advice given was suitable.

my final decision

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

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 25 November 2014.

Simon Pugh
ombudsman