

complaint

Mr and Mrs R complain that Legal & General Partnership Services Limited advised them to consolidate a loan and credit card debt into a mortgage and recommended a more expensive mortgage than was necessary. They are assisted in bringing their complaint by a claims management company.

background

In 2010, Mr and Mrs R sought mortgage advice. They subsequently entered into a 22 year mortgage with a new lender. The interest rate was fixed for the first two years. The money from the new mortgage was used to repay both their previous mortgage and over £10,000 in previously unsecured debts.

The claims management company says that:

- Mr and Mrs R were able to make the payments on the loan and credit card and should not have been advised to consolidate the debts.
- The debt consolidation advice should have been reassessed when the valuation of the property was less than they expected.
- New sourcing was carried out after the valuation was completed which appears to show a better rate was available than the one recommended.

The adjudicator did not recommend that the complaint should be upheld. She said, in summary:

- The advice to consolidate the debt was not unsuitable.
- There are indications that their financial position was not as shown in the budget planner as they were not clearing the credit card balance each month or making the basic monthly payment.
- As a result of consolidation, Mr and Mrs R's disposable income increased.
- There was no need to reassess the debt consolidation advice following the valuation of the property.
- The recommended mortgage was suitable in that it fulfilled Mr and Mrs R's stated requirements.

Mr and Mrs R did not agree with the adjudicator's view and the claims management company responded on their behalf to ask that an ombudsman 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. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The advisor had a duty to make a recommendation that was suitable for Mr and Mrs R. I have considered this matter carefully. The recommendation made was suitable given Mr and Mrs R's requirements and resources at the time the advice was given.

The documentation completed at the time shows that they wanted to reduce their monthly outgoings to make available more money for themselves. Their short term objectives were to reduce outgoings, raise money for a car and home improvements and clear debts.

I do not agree that the debt consolidation advice should have been reassessed following a lower than expected valuation. It is likely that there was some discussion as when it was discovered that Mr and Mrs R could borrow less than they hoped, they decided to reduce outgoings and clear debts only and not raise money for a car and home improvements.

I consider that Mr and Mrs R were provided with sufficient information about the effects of consolidating previously unsecured debt. The increase in the period of the repayment of the previously unsecured borrowing is offset by the opportunity to make overpayments. Information about making overpayments was made available to Mr and Mrs R.

The advisor was under a duty to recommend the least expensive mortgage, taking into account those pricing elements identified by the customers as being most important to them. He did that following the first sourcing exercise.

When the lower than expected valuation was received, the advisor undertook a second sourcing search which showed a slightly lower fixed rate with another lender. The list of lenders does not show complete information about the products. The documentation is not entirely satisfactory in that it would have been better if there had been a contemporaneous record showing why the advisor maintained the same recommendation. However, it is clear that, by that stage, Mr and Mrs R had already incurred fees in relation to the recommended lender. Changing lender would have meant additional fees and a delay in the process. In all the circumstances, I find that the recommendation was, on balance, suitable given the circumstances here.

my final decision

I am sorry to disappoint Mr and Mrs R but my final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs R to accept or reject my decision before 2 March 2015.

Louise Povey
ombudsman