complaint

Mr and Mrs S complained that the mortgage advice they received from Legal & General Partnership Services Limited (L&G) was unsuitable.

background

In July 2007, Mr and Mrs S met a mortgage adviser. They wanted to remortgage, and consolidate debts so they had more money available each month.

Mr and Mrs S filled up a client review document with the adviser. This showed they had an existing mortgage which had a balance of £67,461 on a variable rate of 8.75%. It had 19 years left to run. Mr and Mrs S also had an outstanding loan and a credit card debt. The total they owed on these was £43,794.

The client review form shows Mr and Mrs S's monthly expenditure for household bills, food, clothing, transport, entertainment etc as £1,179 a month. They were also paying a total of £1,155 for their mortgage and the debts. This made a total of £2,334. They told the adviser their net monthly income was £2,529. The fact finding document also shows that Mr and Mrs S said they'd consolidated debts before. And it also says they'd been told about the potential implications of securing their debts against their property.

A Record of Suitability document was completed, and Mr and Mrs S both signed every page. Among other things this recorded:

- the lender chosen wasn't one of the cheapest, but it was one which would still lend despite Mr and Mrs S's adverse credit history;
- the interest rate on the new loan would be lower. But the total cost of repaying was likely to increase, because the term was longer. Mr and Mrs S confirmed that despite this, they wanted to go ahead. They said having one payment was more important to them;
- Mr and Mrs S had been told that securing debts against their property meant that, if they didn't pay, their home might be possessed;
- fees were added to the loan because Mr and Mrs S said they couldn't afford them upfront;
- Mr and Mrs S had been given copies of the documents, and had read and understood them.

Mr and Mrs S went ahead with the mortgage.

In 2017, Mr and Mrs S, represented by solicitors, complained to L&G that the mortgage had been unsuitable.

L&G said that it considered the advice had recommended a suitable mortgage. But it said that Mr and Mrs S had also added the cost of making Wills to the mortgage. L&G believed that Mr and Mrs S needed Wills, but it didn't think the cost should have been added to the mortgage. So it offered Mr and Mrs S:

- all the interest on the Wills, from the start date of the mortgage in 2007 to its end date in 2028. This was £119.48;
- £150 for the inconvenience Mr and Mrs S had had,

making a total of £269.48.

Mr and Mrs S, represented by their solicitor, weren't satisfied and complained to this service.

The adjudicator partly upheld Mr and Mrs S's complaint. She said she considered there was a need for debt consolidation, because when Mr and Mrs S approached L&G, they'd had a monthly income of £2,529 and monthly commitments of £2,334. The adjudicator thought that being left with £195 a month hadn't been sustainable in 2007. On the new mortgage, they had around £463 a month left.

And the adjudicator pointed out that Mr and Mrs S's existing loan had been to consolidate previous debts. So she said Mr and Mrs S would have been aware of consolidation. The adjudicator also pointed out that Mr and Mrs S had been given an illustration of the new mortgage, with comprehensive reasons set out in the suitability report. They'd signed to confirm they'd read and understood the documents, and accepted the recommendation.

But the adjudicator did agree with L&G that although Mr and Mrs S needed Wills, it wasn't necessary to add this cost to the mortgage. She considered L&G's offer to refund interest, and give £150 for inconvenience, was fair.

Mr and Mrs S, represented by solicitors, weren't satisfied. They said the forms showed Mr and Mrs S had quite significant spending on holidays and socialising. This was discretionary spending and their financial circumstances didn't show a need for debt consolidation.

Mr and Mrs S's representatives also said that the new mortgage rate wasn't much lower than the rate on the existing debts. This was unfavourable because the new mortgage was for a longer term. The representatives also said it was irrelevant that Mr and Mrs S had consolidated their debts before – because they said that previous advice might have been wrong too.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The 2007 documents recording Mr and Mrs S's circumstances are detailed. They include their existing mortgage and debts, as well as what they spent each month. Importantly, the documents record that what Mr and Mrs S wanted to do was consolidate their debts into one monthly payment. For example, the "*Debt consolidation*" section of the Suitability Record sets out that although the new mortgage's interest rate would be lower, the overall cost would be higher because it would be over a longer term. It goes on to say:

'*However you have indicated that, regardless of the potential increase in overall cost, you wish to proceed with this arrangement because having one manageable payment is more important to you."*

Mr and Mrs S signed this and other pages. So I find that they were aware of the fact that consolidating debts would cost them more in the long run, but they wanted to do it. The new arrangements gave them a single payment, and lower monthly outgoings – in other words, more disposable income each month.

I note that Mr and Mrs S's solicitors have said that Mr and Mrs S had significant discretionary spending. From the figures on the forms, I can see that there are areas where Mr and Mrs S might have chosen to reduce their spending. But that was a choice for them to make. I agree with the adjudicator when she said that it appears that Mr and Mrs S preferred to keep their existing lifestyle, but without getting into financial difficulty with their monthly debt payments. The decision to consolidate their debts over a longer term would indeed mean paying more over the whole lifetime of the mortgage. But it meant they could keep their chosen lifestyle and still meet their monthly payments. So it was suitable for what Mr and Mrs S wanted to do.

I've also considered Mr and Mrs S's solicitors' view that the fact that Mr and Mrs S had previously consolidated debts was irrelevant. I agree that it's not relevant to the specific question of whether L&G's advice was suitable. And as the solicitors say, I can't know whether or not that previous consolidation was or wasn't the right thing to do. But I do consider that it means Mr and Mrs S would have known what debt consolidation meant – it wasn't something which was sprung on them at the meeting with the adviser which they didn't know anything about. But in any case, what really matters is that the suitability document was comprehensive, and they signed up to it as being what they wanted.

I've also considered the fact that the cost of Mr and Mrs S's Wills was added to the mortgage. This was a relatively small cost, unlike the figure for their debts. So I find that, on their stated incomes, they'd have been able to pay this separately. I agree they needed Wills, so I don't order the cost of the Wills to be repaid. But I find that L&G was fair when it offered to refund the interest on this cost – for the whole term of the mortgage. L&G has also offered £150 for the inconvenience caused to Mr and Mrs S. I find this was fair and reasonable.

my final decision

My final decision is that I do not uphold this complaint. I leave it to Mr and Mrs S to decide whether or not they wish to accept Legal & General Partnership Services Limited's offer of £269.48. This represents the mortgage interest on the cost of their Wills for the whole term of the mortgage, plus £150 for inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 4 May 2018.

Belinda Knight
ombudsman