

complaint

This complaint is about a mortgage arranged for Mr and Mrs J by an adviser connected with Legal & General Partnership Services Limited ("L&G").

Mr and Mrs J are concerned about the suitability of advice to consolidate a 0% credit card debt into a mortgage term. To resolve this complaint, they'd like compensation for their losses and extra expenses.

Mr and Mrs J are represented by a third party I'll call 'M'.

background

On the advice of L&G's adviser Mr and Mrs J took out a new mortgage that included an extra amount to allow them to clear a credit card debt.

L&G said this was discussed with Mr and Mrs J. Notes made at the time showed that by consolidating their credit card debt, the monthly saving could be used to offset some or all of the extra cost of reducing the mortgage term – which was something Mr and Mrs J wanted to do.

Our adjudicator didn't recommend upholding the complaint. She felt the mortgage and debt consolidation advice L&G gave Mr and Mrs J wasn't unsuitable on the basis that Mr and Mrs J hadn't experienced any financial loss.

On behalf of Mr and Mrs J, M disagrees. It challenges the interest rate assumptions made by our adjudicator. M doesn't believe Mr and Mrs J would've incurred any barriers to securing further 0% rate deals. So, even allowing for rate transfer fees, M doesn't agree with our adjudicator's view and has asked for an ombudsman review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Looked at overall, I agree with our adjudicator. Based on the information I've seen, I don't find that the mortgage L&G recommended cost Mr and Mrs J any more overall. And I'm satisfied Mr and Mrs J had enough information to be able to make an informed decision about debt consolidation. Here's why I say this.

The mortgage paperwork confirms that the 0% rate on Mr and Mrs J's credit card account was shortly due to end. At the rate they were paying off their credit card debt, L&G made an assumption that it would've taken Mr and Mrs J another five years or so to clear the balance - based on a likely interest rate of around 17%. L&G said compared to the cost of including this debt in the mortgage (and paying it off straight away) it would cost Mr and Mrs J approximately £500 less.

The cost of consolidating their credit card debt is set out in the Mortgage Record of Suitability L&G sent to Mr and Mrs J and L&G explained the reasons behind its recommendation.

I think it's fair to say that in deciding this complaint, some assumptions have to be made about how long Mr and Mrs J might've had credit card debt and how much it could've cost

them to pay this off if they hadn't opted to consolidate the debt in their mortgage. I don't think L&G's assumptions are unreasonable. And, although our adjudicator worked out the figures differently, she didn't find that Mr and Mrs J had been financially prejudiced by what had happened. And I agree.

I've taken into account M's argument that Mr and Mrs J wouldn't have had any problem securing further 0% interest deals. I can't say whether M's speculation about this is correct. But, I think it's likely that Mr and Mrs J would've known this was an option. And I can see why they might've preferred not to face the uncertainty of making time consuming credit applications when they could instead clear their credit card debt and organise their future finance plans with confidence knowing exactly what they'd be paying each month.

On balance, I can't see that consolidating their credit card debt is likely to have been a significantly more expensive option for Mr and Mrs J. And the recommended L&G option allowed them to achieve other aims they had in mind when they decided to re- mortgage.

my final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs J to accept or reject my decision before 7 December 2015.

Susan Webb
ombudsman