

complaint

Ms D and Mr P complain about the mortgage advice given to them by Legal & General Partnership Services Limited. Ms D and Mr P are represented by a solicitor. They ask for compensation.

background

Ms D and Mr P took out a mortgage in 2006 recommended by Legal & General. Their representative says its recommendation wasn't suitable. It says Legal & General shouldn't have recommended that the mortgage loan was increased to fund the purchase of an accident, sickness and unemployment (ASU) policy and a wills package. A smaller loan would have meant a shorter term or lower monthly payments. And Ms D and Mr P wouldn't have had to consolidate debts that had only a short term left. The representative says Ms D and Mr P had to pay an early repayment charge (ERC) to re-mortgage which was disproportionate.

The adjudicator didn't recommend that the complaint should be upheld, saying:

- Legal & General made an offer in relation to the ASU policy in 2012.
- Legal & General made an offer in mid 2017 about the cost of the wills package being included in the mortgage. Its offer was reasonable.
- The mortgage loan was about £70,000 and the property was valued at £215,000. It seemed unlikely the loan amount affected the mortgage products and rate available.
- The re-mortgage reduced Ms D and Mr P's monthly debt repayments from over £1,000 to about £750. Over the 24 months product term, they saved about £6,800. While they paid an ERC of £757 and consolidated debts, he couldn't say the mortgage was unsuitable. The record of suitability set out the reasoning for the recommendation and it was up to Ms D and Mr P whether to accept it.

Ms D and Mr P didn't agree. Their representative said borrowing to fund the ASU increased the mortgage loan. This reduced Ms D and Mr P's disposable income, meaning they had to consolidate more debt. The representative says there were two versions of the record of suitability and Legal & General didn't bring changes to Ms D and Mr P's attention before it asked them to sign it.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, 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.

Legal & General recommended the mortgage. So it needed to obtain all relevant information and ensure the mortgage was suitable for Ms D and Mr P's needs and circumstances.

The representative says it's unfair to put weight on the record of suitability. He says Legal & General updated it and didn't bring changes to Ms D and Mr P's attention before they signed. The representative didn't say these changes were in some way misleading or that Ms D and Mr P

didn't have an opportunity to read the updated record of suitability before signing it and deciding whether to go ahead with the re-mortgage.

Ms D and Mr P had a mortgage, personal loans, card accounts and an overdraft. The mortgage sales documents suggest they were struggling to afford monthly repayments and household expenditure.

Legal & General recommended a mortgage. It also recommended that Ms D and Mr P consolidate unsecured debts. There was a cost to re-mortgaging. Ms D and Mr P had to pay brokers fees and other costs related to the new mortgage. They paid an ERC when they repaid their previous mortgage. And repaying previously unsecured debts over a longer period was, overall, more expensive. This was explained in the record of suitability.

Legal & General made an offer in relation to the ASU policy in 2012. And in 2017 it offered to refund the mortgage interest paid in relation to the cost of the wills package. Ms D and Mr P can choose whether to accept the offer, if they haven't already done so.

The representative says the wider effect of increasing the mortgage loan to pay for the ASU policy and the wills package should be taken into account. He says increasing the loan reduced Ms D and Mr P's disposable income and meant they had to consolidate more of their short term unsecured debt. Re-mortgaging reduced Ms D and Mr P's monthly debt repayments by about £280, largely due to the debt consolidation. I think this was something they needed to do as the mortgage sales documents suggest they were struggling to meet their outgoings. I don't think I can reasonably say that Ms D and Mr P would have chosen not to consolidate some of their unsecured debt if the mortgage loan (and monthly repayments) had been lower.

Overall, given Ms D and Mr P's circumstances, I don't think the recommendation made by Legal & General was unsuitable.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D and Mr P to accept or reject my decision before 7 May 2018.

Ruth Stevenson
ombudsman