

complaint

Miss A complains that she was mis-sold mortgages, on two occasions, by an appointed representative of Legal & General Partnership Services Limited (“L & G”).

background

L & G recommended that Miss A remortgage in 2005 and then again in 2007. In doing so she added unsecured debt onto her mortgage (consolidation). Her representative now says the recommendations were unsuitable for her. In particular, that some of the consolidation was inappropriate, and she should have stayed with her existing lenders. And in 2007 she should have been advised not to transfer her mortgage from part repayment/part interest only to full interest only.

L & G said its advice had been suitable for Miss A. And our adjudicator concluded the mortgage recommendations met her objectives. Miss A’s representative didn’t agree, so the complaint’s come to me for review.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

2005 mortgage recommendation

Miss A says L & G cold called her. It disputes this. I don’t find this is the central issue here. She chose to accept L & G’s advice, and I don’t think she was pressured into this. I need to decide if L & G’s mortgage recommendation was suitable for her.

When Miss A met with L & G she was spending more than she earned. Her representative says she was meeting her mortgage, credit card and loan payments. But the papers suggest consolidating debt was a high priority for her. And I accept this was the case, given her financial position at the time.

Miss A’s representative now accepts that L & G’s advice to consolidate the credit card debt, which was open ended, was suitable. But they say it should have told her to stay with her existing lender, to save costs, possibly taking a further advance loan. And they also say it should have told her to keep the loan running – as she’d then have repaid it by 2010. She could have afforded the payments after consolidating the credit card debt.

I’ve considered these points carefully but I don’t agree. I don’t think there’s any guarantee Miss A’s existing lender would have given her a new mortgage or further advance. Or, if it did, that it would have been on better terms than the fixed rate mortgage she got with the new lender. The new mortgage was the lowest monthly cost on the sourcing list, in line with her wish to keep her payments low. I find Miss A wanted to have one manageable payment. Even after remortgaging her disposable income was only around £200 a month. Her monthly loan payment was £158 a month. So it would have taken up the majority of her disposable income. And L & G advised her of the implications of adding her unsecured debts to the mortgage and that they would cost more to pay back over the mortgage term.

I’ve taken into account Miss A’s representative’s comments about the interest only element of the mortgage. This meant she would still have to pay the capital at the end of the term, if

she didn't reduce it by making overpayments. I see the point but I don't think Miss A had many options at that time. She needed to reduce her outgoings, and she was struggling to meet her spending. She wanted low payments and I find the mortgage recommendation met her objectives at that time.

2007 mortgage recommendation

In 2007 L & G advised Miss A to move her mortgage again. Her representative says L & G cold called her. But I don't agree. In 2005 she signed to say it could review her mortgage arrangements and contact her again. She took another fixed rate for two years, and received help with costs – a payment of £700. She'd built up more credit card debt of over £6,800 which she consolidated with the new mortgage. And she transferred the entire mortgage to interest only terms (it was previously around 60% repayment and 40% interest only). She had two endowment policies due to mature in 2008 (and one in 2013).

Miss A's representative says she shouldn't have been advised to take a mortgage on entirely interest only terms. There wasn't a clear repayment strategy.

Miss A seems to have been under some financial pressure. She'd built up credit card debt of more than £6,600. In 2007 her income was £1,350 with expenditure of £754. She had £596 remaining for her mortgage commitments. Her mortgage balance was around £70,000 at that time. If she'd continuing with part repayment and part interest only, her mortgage payments at the fixed interest rate of 6.89% would have been £485 for the repayment element and £161 for the interest only element – so £646 in total. The interest only mortgage payment (to include the consolidated debt and fees) was around £460. So this left her with some disposable income of around £140 a month.

L & G's mortgage record of suitability sets out that Miss A and L & G had talked about her continuing on a part repayment and part interest only basis. But this wasn't affordable for her. So she decided to proceed on an interest only basis, and would use her three endowment policies to repay a proportion of the debt.

L & G recommended she review her financial arrangements at the end of the fixed rate. Miss A said she intended to continue making the same monthly payment after the mortgage balance had been reduced by the endowment policies money, to reduce the overall balance. And she understood that if this didn't reduce sufficiently she might have to sell her property to repay the balance, move down market or into rented accommodation. She also said she could use her pension lump sum to repay any outstanding balance (and acknowledged L & G had given no advice about this).

I have some concerns about the repayment strategy. But, at that time, I think Miss A had limited options open to her. She opted to proceed with interest only on grounds of affordability. And so even if L & G had advised her not to go ahead I think it likely, on balance, that she still would have taken an interest only mortgage. On this basis, I don't uphold this part of the complaint.

I take Miss A's representative's point that she wouldn't make any in roads into the debt, with the mortgage on interest only terms. But, for the same reasons as above, I think Miss A wanted to consolidate her debt to keep her monthly payment as low as possible. Her disposable income was limited. And I find she'd have proceeded with consolidation even if advised otherwise. The mortgage record of suitability explained the additional cost of consolidating debt, and the implications of securing previously unsecured debt.

Miss A's representative says L & G should have advised her to remain with her then lender. But I don't think there's any guarantee that lender would have offered her a mortgage on better terms. And she'd still have incurred many of the same fees. And I don't accept the fees L & G earned had direct bearing on the mortgage recommendation.

I am sorry to hear that Miss A is facing financial hardship, having lost her job. And I appreciate this decision will come as a disappointment to her. If she's not already done so I suggest she contact her mortgage lender. They are required to deal fairly with consumers in financial difficulty.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss A to accept or reject my decision before 16 February 2015.

Amanda Maycock
ombudsman