

complaint

Mr and Mrs D's representative, a claims management company, complains that they were mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited ("L&G").

background

Mr and Mrs D had a mortgage, which they re-financed on a recommendation from L&G. In the process, they switched lender, consolidated some unsecured debt and added fees and charges to the loan balance. Their representative complained that this was an unsuitable recommendation, a complaint it has now limited to the issue of debt consolidation.

L&G says that it was a suitable recommendation. Mr and Mrs D had a deficit in their monthly outgoings each month and were reliant on an overdraft. Consolidating unsecured debt to the mortgage reduced their outgoings, leaving them with a monthly surplus. It also says that the overall recommendation was suitable because it reduced the interest rate Mr and Mrs D were paying on their mortgage, gave them the fixed term they wanted and met their objectives.

Our adjudicator agreed that the mortgage was suitable, and didn't uphold the complaint about debt consolidation, and so Mr and Mrs D's representative now wants an ombudsman to make a final decision on their case.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to the same conclusions as the adjudicator, and for much the same reasons.

By re-mortgaging, Mr and Mrs D significantly reduced the interest rate on their mortgage and fixed it for five years. This gave them a degree of stability, which they wanted and which was appropriate in view of their financial situation. Mr and Mrs D's representative no longer complains about the recommendation to switch lender; having considered it, I agree that it wasn't an unsuitable recommendation to have made.

Mr and Mrs D's financial situation was difficult. They were in deficit each month and reliant on a large overdraft which – according to their bank statement – was not reducing. They had several credit card debts and a personal loan which had apparently been taken out for a previous debt consolidation exercise.

Mr and Mrs D's representative says that the adviser didn't take into account Mrs D's impending pay rise. However, it is recorded on the client review and, at 3%, would have only increased their monthly income by £30, still leaving them in deficit. It would not have solved their problems.

Consolidating their debts allowed Mr and Mrs D to reduce their outgoings and return to a monthly surplus. While their representative is right that, over the long term, it increased the costs of the debt, I find that the state of their finances was such that the short term gains outweighed the long term costs. But their finances were not so bad that the better advice would have been to enter into debt management or negotiations with their creditors. Taking

everything into account, it seems to me that debt consolidation was, in this case, a suitable recommendation to have made.

I don't make the distinction between individual debts that Mr and Mrs D's representative wants me to make. Partial consolidation would not have made sufficient improvements to their finances. In particular, the loan – which Mr and Mrs D's representative says should not have been consolidated – was by far their biggest debt repayment. Not including that would have meant that the consolidation didn't achieve its aims.

my final decision

For the reasons I have given, my final decision is that I don't uphold this complaint.

Simon Pugh
ombudsman