

## **complaint**

Mr and Mrs F complain that they were mis-sold a mortgage by an authorised representative of Legal & General Partnership Services Limited (“L&G”).

## **background**

Mr and Mrs F say that in 2007 L&G advised them to take an interest-only re-mortgage consolidating a credit card debt charged at 0% interest. This was bad advice because interest became payable on the debt and it became a loan instead of being paid off.

Mr and Mrs F’s representative says that in 2009 they had no unsecured credit commitments so were financially secure. On a balance of probabilities other 0% cards would have been available to them.

The adjudicator did not recommend that the complaint be upheld. It was unlikely that the 0% interest rate on the credit card would have been fixed throughout the term of the debt and it would have been subject to various conditions. For example, if missing or not meeting the minimum payments the offer would be withdrawn. The fact find stated the minimum payment was not being met and Mr and Mrs F also owed money on overdraft.

It appeared that Mr and Mrs F were struggling to maintain their debt and were living within their overdraft. Having this in mind, he believed the advice to switch to interest-only on a fixed rate was suitable. Having stable payments during this time would have helped them maintain their debts and reduce their monthly outgoings overall. Their aim was to have one manageable payment for mortgage and debts, and when reviewed in 2009 no further debt had accumulated.

The adjudicator was also satisfied the adviser made Mr and Mrs F aware of the risks of consolidation, and the increase of the total debt over the term of the mortgage. The record of suitability set out the details of consolidation and repayment and Mr and Mrs F signed a statement stating they were happy to be on interest-only and include their debt in the new mortgage.

Mr and Mrs F’s representative requested review by an ombudsman but did not make any further submission.

## **my findings**

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

Mr and Mrs F had a meeting with the mortgage adviser. Afterwards the adviser produced a document entitled “*Mortgage Record of Suitability Prepared for Mrs F and Mr F*”. It has 9 pages, each of which is signed at the bottom by Mr and Mrs F. On page 6 it says:

*“£[...] of the loan amount I am recommending is for the purpose of consolidating existing liabilities. From the information you have provided, I have been able to determine that although the interest rate charged will be lower, the overall cost of repaying these liabilities is likely to increase as the term is longer. 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.*

*So that you fully understand the approximate cost of adding this to your mortgage I have calculated the following:*

- The total cost of repaying your mortgage (including any consolidated debts) as illustrated in your Key Facts Illustration is £[....].*
- If I exclude the amount you are consolidating, this amount will reduce by approximately £[....]. I have calculated this by taking the amount you are consolidating and multiplying it by the cost per £1 of borrowing as detailed in the Key Facts Illustration.*

*You have been made aware that if any existing liabilities are consolidated within your mortgage arrangements they are secured against your property. This means that if payments are not maintained, your home may be repossessed by your lender.*

*As your [...] credit card is 0% interest you are aware that by consolidating the debt you will pay interest on this over the mortgage term. However you are happy to consolidate the debt.*

*I have made you aware that by consolidating debts in sole names into a joint mortgage you both will be fully responsible for the debt consolidated. You have confirmed that you are happy to proceed on this basis."*

The "Client Review" also produced by the adviser records that the credit card debt was not cleared every month, and that the monthly minimum payment was not being made. In those circumstances it seems unlikely that the 0% interest feature would have lasted much longer. The overdraft was not reducing and bore interest at 12%.

I have noted the assertion by Mr and Mrs F's representative that on a further review in 2009 they had no unsecured credit commitments so were financially secure, so that on a balance of probabilities other 0% cards would have been available to them. But it seems to me likely that this was because, as L&G states in its final response, the new mortgage arrangement achieved their aims and reduced their monthly outgoings.

Overall I am not persuaded that the advice to consolidate was unsuitable.

### **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 Mr and Mrs F to accept or reject my decision before 17 March 2015.

Edward Callaghan  
**ombudsman**