

complaint

Mr and Mrs B, represented by a claims management company, complain that they were mis-sold a mortgage by an authorised representative of Legal & General Partnership Services Limited ("L&G").

background

Mr and Mrs B took advice leading to a re-mortgage from L&G. In doing so, they added a large amount of unsecured debt to the loan, extended the term and added fees and charges to the balance.

Their representative now complains that the recommendation was unsuitable, because affordability wasn't properly assessed, debt should not have been consolidated and the term shouldn't have been extended. It also complains about how L&G obtained Mr and Mrs B's business. Our adjudicator didn't agree that the loan had been mis-sold, and so the case comes to me for a decision to be made.

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 find that I am in agreement with the adjudicator that this was a suitable recommendation. Mr and Mrs B had almost £50,000 of unsecured debt, spread across a number of loans and credit cards, as well as two overdrafts. They had previously consolidated debt (hence one of the loans), had exceeded an overdraft limit and were only making the minimum payments to their credit cards.

The fact find records that they were concerned about their levels of debt, and wanted to "break the cycle" and "get back on their feet". By consolidating debt to the mortgage, they didn't remove the debt, but they did bring the monthly payments down to a more manageable level, simplify the management of it and allow themselves to move forward.

I can't say that this was an unsuitable recommendation. Running up debt and consolidating it was a financial management strategy Mr and Mrs B had used before. Given the extent of in particular the credit card debts, it would have been very expensive and taken a long time to repay even had it not been consolidated. I'm satisfied that debt consolidation was something that Mr and Mrs B actively wanted to do and that it was a reasonable approach towards the resolution of their debt problems.

I note that their representative argues that taking an unsecured loan linked to the mortgage - on which, should Mr and Mrs B ever re-mortgage, the interest rate would rise by 8% - was inappropriate because it tied them in to that lender. I do agree that that is a downside of the recommendation. But had it not been made, the monthly payments in respect of that element of the debt would have been around £200 per month higher, and in all the circumstances I'm satisfied that the short term gains outweighed the potential long term issues. At that point, what might happen in five years' time was unknown; it couldn't have been said with any certainty that Mr and Mrs B would want to re-mortgage to a different lender, triggering the interest rate rise, at that time or any other.

Adding the debt meant a very large increase to their mortgage balance. In order to make that affordable, an extension to the term was necessary. I'm satisfied that proper checks as to affordability were carried out, and that a term extension was reasonable in all the circumstances to allow Mr and Mrs B to achieve their objectives.

Mr and Mrs B's representative complains that they should have been advised to contact their existing lender, but given their circumstances and the increase to their borrowing, there is no guarantee that the lender would have agreed; had it done so, it would almost certainly have charged additional fees for doing so.

Finally, I don't consider how Mr and Mrs B were initially contacted – on which I don't have enough evidence to make findings either way – to be relevant to the matter I am concerned with; the suitability of the advice given once Mr and Mrs B decided to proceed.

my final decision

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

Simon Pugh
ombudsman