

complaint

Mr and Mrs K complain that Legal & General Partnership Services Limited gave them unsuitable mortgage advice.

background

Mr and Mrs K had an existing mortgage and a number of unsecured debts. L&G recommended in October 2005 that they re-mortgage and consolidate unsecured debt. This meant they had to pay an early repayment charge (ERC) of £800 to their existing lender which they could have avoided by waiting about 10 months. Their representative in this complaint says there was no particular need for them to re-mortgage.

The adjudicator did not recommend that the complaint be upheld. She said that:

- Mr and Mrs K had unsecured debts of over £28,000. They were making small monthly payments at the minimum level to their credit cards.
- The re-mortgage was over the same term as the existing one and at an interest rate then of 4.5% which tracked with Bank of England Base Rate.
- The recommendation said that consolidating the debts could cost more but Mr and Mrs K signed to say that they wanted to go ahead with the re-mortgage. They paid off the unsecured debts and had a higher monthly disposable income.
- All the fees and charges were visible and clear in the documentation.

Mr and Mrs K did not agree. The representative said it was a matter of choice for them only to make the minimum payments on their credit cards. And just because they did have unsecured borrowing did not mean that they were in financial difficulty. L&G had a responsibility to make a suitable recommendation - regardless of what Mr and Mrs K wanted to do. Their acceptance of paying the ERC was not all made in their handwriting – they just signed a document written out by L&G. There was no reason not to delay the mortgage. Again it was down to L&G to give suitable advice and the benefits of this re-mortgage did not outweigh the costs.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The budget planner prepared by Mr and Mrs K with L&G showed disposable income after all existing commitments of just £96 per month. So I think that they were only in a position to make minimum payments to their credit cards. And they had taken loans in November 2004 and June 2005 to refinance previous debt and credit cards already. The re-mortgage increased their disposable income by nearly £550 per month.

I note that in the handwritten document they signed L&G had stated that it "*strongly recommend[ed]*" to Mr and Mrs K they wait until after the ERC was payable before re-mortgaging. I'm satisfied that they decided not to do so fully aware of the implications and that this was not the advice. I also appreciate that some of their credit card borrowing was at zero percent interest (for an unspecified period). This was referred to in the record of suitability. I think Mr and Mrs K wanted all the debt to be consolidated and the higher monthly disposable income as soon as possible.

I am not persuaded that the mortgage recommended was unsuitable. In my view there were clear benefits to Mr and Mrs K in line with their requirements and the costs involved were all fairly brought to their attention.

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 Mr and Mrs K to accept or reject my decision before 16 May 2018.

Michael Crewe
ombudsman