

complaint

This complaint is about a mortgage arranged for Mr and Mrs K by an adviser connected with Legal & General Partnership Services Limited ("L&G").

Mr and Mrs K feel they weren't given good advice. They're particularly concerned about the suitability of the adviser's debt consolidation recommendation. To resolve this complaint, they'd like compensation for their losses, including interest they've incurred as a result of the advice and a refund of the broker's fee, plus interest.

Mr and Mrs K are represented by a third party I'll call 'A'.

background

When Mr and Mrs K re-mortgaged, on the advice of L&G's adviser they took out a new mortgage that allowed them to borrow enough to pay off other debts they had at the time.

When Mr and Mrs K complained later on that this wasn't a financially beneficial arrangement for them overall, L&G didn't uphold the complaint. It said Mr and Mrs K hadn't been wrongly advised. The new mortgage deal meant they moved from a position where they'd been overspending each month to having more than £300 monthly disposable income instead. And that it met Mr and Mrs K's objectives at the time.

L&G said the implications of the debt consolidation had been fully discussed with Mr and Mrs K and documented. And they'd been happy with the recommendation at the time because they urgently needed to refinance and consolidate their debts before their money problems severely impacted their creditworthiness.

Our adjudicator agreed that the paperwork he'd seen suggested that the mortgage and debt consolidation advice L&G gave Mr and Mrs K wasn't unreasonable or unsuitable.

On behalf of Mr and Mrs K, A disagrees. It says that not adding seven small card debts to the mortgage would still have given Mr and Mrs K a significant monthly saving, met their objectives, reduced fees – and avoided the higher lending charge (HLC) Mr and Mrs K had to pay because their new loan was for more than 90% of the value of their property. And A said this would've meant Mr and Mrs K's small unsecured debts could've been paid off much sooner and at a much lower cost in interest.

A's asked for an ombudsman review of this complaint so it has been referred to me.

my findings

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

I've taken carefully into account everything A has said in response to the adjudicator's assessment. But, like the adjudicator, I don't think I can fairly and reasonably uphold this complaint. Based on the information I've seen, I don't find that the mortgage L&G recommended was unsuitable for Mr and Mrs K. And I'm satisfied Mr and Mrs K had enough information to be able to make a properly informed decision about which debt to consolidate.

There are different ways of looking at what might've been the best way to re-structure Mr and Mrs K's borrowing at the time they wanted to re-mortgage. So my starting point has been to look at what Mr and Mrs K's main priorities and money situation were at the time. And I have to decide if L&G's recommendation was fair and reasonable.

It isn't disputed that Mr and Mrs K had experienced credit problems in the past and had adverse credit recorded against them. And I can see that Mr and Mrs K were struggling to keep up monthly repayments on all their debts. They'd gone over their credit limit on one card, missed some payments and were very close to credit limits on their other cards.

The mortgage paperwork they signed shows they wanted to consolidate their debt because having one manageable payment was more important to them and forced the discipline to repay. They wanted to secure a better mortgage and reduce their outgoings.

A thinks Mr and Mrs K would've been better off if they'd just borrowed enough extra money when they re-mortgaged to cover their three largest unsecured debts, including a car loan - instead of borrowing to pay off credit card debt.

But I can see why L&G didn't recommend consolidating the car loan. Mr and Mrs K couldn't borrow enough money to clear all their other debt – and paying off their credit cards enabled them to limit the risk of adverse information affecting their credit status. The car loan was on a better rate of interest and it was a single monthly payment which was easier for Mr and Mrs K to manage rather than paying multiple credit card bills.

So, I've reached the same overall conclusion as our adjudicator. I consider the benefits to Mr and Mrs K of consolidating debt as they did outweighed any difference in overall cost and other disincentives they had to balance when they chose to do this. As far as I can see, L&G gave Mr and Mrs K all the information they needed to make an informed decision and explained the reasons behind its recommendation. Mr and Mrs K ended up with a mortgage that had a lower interest rate than they'd been paying. The way their debt was consolidated left them having to make only two main credit payments each month (mortgage and car loan). The real risk that their credit files would be adversely affected was minimised. Their monthly disposable income increased. And I think it's fair to say that the car loan was the better debt to leave out of the consolidation plan given the terms of that loan – as opposed to the uncertainty of paying off credit card debt in Mr and Mrs K's situation.

I've taken into account what A says about the HLC. And that L&G's poor advice is the reason Mr and Mrs K are now unable to secure a new mortgage deal and this should've reasonably been predicted. But this doesn't affect my decision. On balance, I don't find there's enough information overall to persuade me that L&G didn't take properly into account Mr and Mrs K's needs and circumstances at the time or that it didn't give Mr and Mrs K suitable advice. And I consider that Mr and Mrs K would've had enough information to decide if they wanted to go ahead with the mortgage L&G recommended.

my final decision

For these reasons, I don't 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 26 November 2015.

Susan Webb
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