

complaint

Mr and Mrs B complain that in 2008 they were mis-sold a re-mortgage by an appointed representative of Legal & General Partnership Services Limited (L&G). They say it was unsuitable to consolidate two low-interest loans into a 35-year mortgage. If properly advised they would have agreed to keep these debts alongside the new mortgage. They are represented in their complaint by solicitors.

background

On Mr and Mrs B's complaint to L&G about the consolidation advice, it said their existing mortgage had a tracker rate product which was coming to an end. They wanted to change to a fixed-rate product for stability. L&G said they also had a separate buy-to-let mortgage and debt of about £59,000 on five loans, two credit cards and two overdrafts which were at or close to their limits. The debts were costing them £1,229 each month. They were overspending and needed to reduce their outgoings. They also wanted to raise capital and to fix mortgage payments for five years.

L&G recommended a re-mortgage on a fixed rate of 5.75% for five years, part interest-only. It said this allowed Mr and Mrs B to achieve their objectives, saw a significant reduction in their monthly outgoings and created much needed disposable income. It wasn't affordable to maintain the debts separately and as Mr and Mrs B needed to reduce their outgoings, L&G recommended they consolidate the debts apart from a student loan. It said that if they hadn't done this their monthly outgoings would have been about £433 higher. This wouldn't have left them with enough disposable income.

Mr and Mrs B brought their complaint to this service but our investigator didn't recommend it be upheld. He said the two loans had outstanding amounts of £8,900 and £9,000. Their interest rate was 7.9%. The monthly repayments were £317 and £216. The investigator could see that the consolidated loan amount was £226,499 and the monthly repayments were £1,133.25.

He said that if Mr and Mrs B hadn't consolidated the two loans then they would've borrowed £208,599 (£226,499 minus £17,900 - the amount of the two loans) instead. Their monthly repayments would've been about £1,047. This meant their outgoings would've been significantly higher as they would've needed to also pay an additional £533 to service the loans.

Mr and Mrs B didn't agree. They said it was unsuitable for repayment of unsecured debts to be consolidated to interest-only, where avoidable. Mr B was about to receive a pay rise. It was unsuitable for the loans to be consolidated on the recommended terms.

my findings

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

L&G produced a "mortgage record of suitability report" signed at the bottom of each page by Mr and Mrs B, and a "client review". These recorded that Mr and Mrs B's net monthly earned income was £2,730 in total. Their monthly repayments for loans were £1,229 and for their current mortgage £673. They had an investment property on a buy-to-let mortgage but the

rental income was £115 lower than the monthly mortgage payment, so this was also an outgoing.

The loan amount was £225,000 of which some £49,000 was for the debt consolidation. L&G gave figures showing the total cost of repayment with and without the consolidation. It considered this suitable because Mr and Mrs B's aim was to reduce their monthly outgoings and this arrangement was likely to achieve that. L&G explained that sole debts would become joint and unsecured debt would become secured.

I consider L&G's advice was consistent with Mr and Mrs B's objectives (reducing their monthly outgoings) and the risks were made clear.

I'm not persuaded that the advice to consolidate the two loans, whose interest rate was 7.9% with over two years to run, was unsuitable in Mr and Mrs B's circumstances. The monthly repayment on those loans was £533 and there was a pressing need to reduce outgoings. It hasn't been shown that the problem would have been solved by the imminent increase in Mr B's salary.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 6 November 2017.

Edward Callaghan
ombudsman