

complaint

Mr D complains that the advice given to him when he re-mortgaged his home was unsuitable.

background

Mr D approached Lighthouse Group for advice on re-mortgaging his home in 2007. At the time, he had significant additional debt and Lighthouse Group advised him to re-mortgage on a part secured, part un-secured basis, consolidating his debts on a 5 year fixed rate mortgage.

Mr D later found himself in financial difficulties. In 2014 he complained through his representative that the recommendation on the re-mortgage was unsuitable. In particular, his representative said:

- his income hadn't been properly assessed and the recorded income figures weren't accurate;
- the advice to consolidate debt was inadequate.

Lighthouse Group investigated his complaint but thought it shouldn't be upheld. So Mr D's representative brought the complaint to this service. Our adjudicator didn't think the complaint should succeed and so Mr D's representative requested a review by an ombudsman.

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 can see that Mr D had a number of different debts when he approached the business for advice in 2007. It seems he had a mortgage for a little over £70,000 and other debts totalling around £60,000. From the figures provided by the business, it appears that the recommendation to re-mortgage and consolidate around £35,000 of his debts brought down his monthly outgoings by around £350 excluding the cost of a car loan which wasn't consolidated. It increased his mortgage to around £109,000. At the time, the property was valued at £100,000.

The reasons why letter explains the risks associated with debt consolidation. It points out that Mr D's unsecured debts would now be paid over a longer term attracting more interest. But it says the new mortgage term would be two years less than his existing mortgage. It seems he was concerned about possible increases in interest rates therefore a fixed rate was recommended.

I understand that in 2008 Mr D became unemployed and struggled to make ends meet. At the same time, the value of the property dropped considerably leaving Mr D in significant negative equity. But while I sympathise with Mr D's situation, I need to consider whether the advice given by Lighthouse Group was suitable at the time it was given.

Mr D approached Lighthouse Group with a high level of debt and monthly outgoings. It seems to me that the recommendation did result in a significant reduction in Mr D's monthly outgoings at the time. It also provided him with a fixed rate product so he could be sure the

costs wouldn't increase over the following five years. The overall amount of Mr D's debt didn't increase as a result of the re-mortgage and his mortgage term was made shorter than his existing mortgage term. The risks of debt consolidation were pointed out in the documents provided to Mr D. Taking all this into account, I don't think the advice given was unreasonable for Mr D's circumstances at the time.

Mr D's representative has also complained that the income assessment was inadequate. But I can see that Mr D confirmed his income on the mortgage application. It appears that the lender was satisfied with the level of evidence provided and the adviser considered pay slips and bank statements. Therefore I don't think it was unreasonable for Lighthouse Group to rely on Mr D's stated income when it advised him.

my final decision

For the reasons given above, it's my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 17 December 2015.

Susie Alegre
ombudsman