

complaint

Mr and Mrs L complain that Legal & General Partnership Services Limited gave them unsuitable advice about consolidating debts.

background

Mr and Mrs L asked for advice from Legal & General about re-mortgaging in 2010. Their fixed rate product had ended and they wanted to review their finances. Legal & General recommended a mortgage. It also recommended they consolidate their car loan of about £4,000. Mr and Mrs L say the advice to consolidate the loan was unsuitable.

The adjudicator did not recommend that the complaint should be upheld. She said while Mr and Mrs L were not in financial difficulties, their aim when re-mortgaging was to keep their debt payments as low as possible. They were preparing to move house within a couple of years. The debt consolidation met their aim and Legal & General had given them information about the effects of debt consolidation.

Mr and Mrs L did not agree. They said debt consolidation was not necessary or suitable.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The mortgage was recommended to Mr and Mrs L. So it is not sufficient for Legal & General to say it gave information to Mr and Mrs L to allow them to decide whether to proceed. It has to meet the rules in the Mortgage Conduct of Business sourcebook (MCOB) for advised sales – such as obtaining all relevant information and ensuring any mortgage it recommends is suitable for the customer's needs and circumstances.

I am satisfied from the evidence that Mr and Mrs L would not have had difficulty meeting their debt payments whether or not the car loan was consolidated into their mortgage. I have seen nothing to suggest they had financial difficulties. However, while it was not essential that the debt was consolidated this does not mean the recommendation was unsuitable.

The documents completed at the time say Mr and Mrs L's aim was to reduce monthly debt payments as part of their preparation for moving home in the near future. Consolidating the debt reduced Mr and Mrs L's monthly debt payments.

Mr and Mrs L benefitted from an early settlement rebate on the loan and the interest rate on the mortgage was lower than the loan. I am satisfied Legal & General considered the disadvantages of consolidating the debt. It explained that, despite the lower interest rate, paying the loan over a longer period would increase the overall cost of repaying the debt.

Overall, I find the benefit to Mr and Mrs L of reducing their monthly payments outweighed the increased cost of consolidating the debt. So I do not find that the recommendation to consolidate the debt was unsuitable.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs L to accept or reject my decision before 23 July 2015.

Ruth Stevenson
ombudsman