

complaint

Mr and Mrs P complain that the mortgage recommended by Advance Mortgage Funding Ltd was unsuitable. They are represented by a solicitor, which I will call A.

background

Advance Mortgage Funding Ltd recommended a repayment mortgage to Mr and Mrs P in 2007. A says the advice was unsuitable as:

- The mortgage was not affordable. Advance Mortgage Funding Ltd did not consider whether the mortgage was affordable after the two year fixed rate period ended. Mr and Mrs P had to change to interest only payments.
- The mortgage was self certified, allowing income from future overtime and bonuses to be taken into account. In the circumstances, actual income should have been used.
- Advance Mortgage Funding Ltd did not reassess its advice after the valuation of the house was lower than expected.
- There was no future planning. The mortgage did not achieve Mr and Mrs P's aim to consolidate debt and reduce monthly debt payments. The £4,500 costs of re-mortgaging (including an early repayment charge) were not explained to them. Advance Mortgage Funding Ltd's fee was excessive. The costs outweighed the savings.

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

- The fact find showed Mr and Mrs P's aim was to consolidate as much debt as possible and reduce the mortgage term and their monthly outgoings. The advice met the aims.
- The monthly payments during and after the fixed rate term were within Mr and Mrs P's budget. Self certified mortgages were explained to Mr and Mrs P.
- Mr and Mrs P were aware of the early repayment charge and the fees and chose to proceed.
- Mr and Mrs P had missed payments on the secured loan. Consolidating the loan reduced the term over which it would be repaid and a lower interest rate applied.

Mr and Mrs P did not agree. On their behalf, A said the mortgage did not make Mr and Mrs P better off. The costs of re-mortgaging were greater than the savings. The expensive unsecured debts could not be repaid, so their financial position was no better. The costs of the unsecured debt meant Mr and Mrs P could not afford the mortgage payments. It would have been better to re-negotiate the unsecured debt.

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.

Advance Mortgage Funding Ltd recommended the mortgage. So it had to comply with 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 that Advance Mortgage Funding Ltd did a fact find. Following Advance Mortgage Funding Ltd's recommendation, Mr and Mrs P borrowed £101,000. They used £76,000 to repay their existing mortgage and £21,500 to repay a secured loan. They were not able to borrow enough to repay their unsecured debts of about £40,000.

Re-mortgaging cost more than £4,000. Mr and Mrs P's monthly payments reduced by less than £50 during the two year fixed rate period. So the cost of re-mortgaging was not offset by the savings in their monthly payments during this period. However re-mortgaging did have benefits. Repaying the secured loan meant a lower interest rate applied to the debt. The shorter period over which the debt would be repaid reduced the overall cost of the borrowing. Mr and Mrs P had missed payments for the secured loan and reducing their monthly debt payments made it easier for them to meet future payments on their secured debt.

Advance Mortgage Funding Ltd explained self certification to Mr and Mrs P. On the basis of the information Mr and Mrs P provided, I do not find it unreasonable for Advance Mortgage Funding Ltd to assess the mortgage as affordable, even taking into account the cost of their unsecured debts and the increase in monthly payments after the discount period ended. While the discounted interest rate only applied for two years, Advance Mortgage Funding Ltd had no reason to believe Mr and Mrs P could not apply for a new mortgage product at that time.

Advance Mortgage Funding Ltd made Mr and Mrs P aware of its fees and the other costs of re-mortgaging, which were set out in the key facts illustration. They chose to go ahead. I have seen nothing to persuade me that this mortgage was mis-sold or that it was unsuitable for Mr and Mrs P.

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 P to accept or reject my decision before 17 August 2015

Ruth Stevenson
ombudsman