

complaint

Mr C and Miss D complain that they were mis-sold mortgages, on two occasions, by an appointed representative of Legal & General Partnership Services Limited ("L & G").

background

In 2006 L & G recommended that Mr C and Miss D remortgage. They took a tracker interest rate for two years, and raised cash of around £23,600. In 2008 L & G recommended they change mortgages again. They arranged a fixed rate for 10 years, and took additional cash of around £2,000. On both occasions they consolidated debts with the mortgage. Their representative now says both mortgage recommendations weren't suitable for them.

L & G said it had recommended mortgages in line with Mr C and Miss D's stated objectives. Our adjudicator concluded the mortgages had been suitable for them. Their representative didn't agree. So the complaint has come to me for review.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mr C and Miss D's representative says L & G 'cold called' them. L & G doesn't accept this. But I don't consider this is the central issue. Mr C and Miss D chose to accept advice on both occasions. I don't think they were pressured to do this. I need to decide if the mortgage recommendations were suitable for them. And, having considered all the evidence, I consider they were suitable for the following reasons.

2006 advice

L & G recommended Mr C and Miss D take a tracker mortgage rate in 2006 (and not a fixed rate as their representative suggests in its response to our adjudicator's opinion letter). I consider this was in line with their preference for a tracker with the lowest monthly payment. It was the cheapest on the sourcing list, using the appropriate filters. This included flexibility to make overpayments. They say L & G should have advised them to stay with their existing lender. And if consolidation was necessary (which their representative doesn't accept) L & G should have advised them to take a further advance with their existing lender.

I've considered all the arguments. In 2006, Mr C and Miss D said their first priority was to get rid of debt. They had limited disposable income of around £100 a month, and said paying down their credit cards would take a long time. So I consider consolidation of debt was important to them.

In addition to an existing secured loan, they consolidated another loan and some credit card debt. They said they hoped to overpay their mortgage to reduce the balance. From this it seems to me they didn't intend to repay the unsecured debt over the longer term. And the new mortgage allowed them to make overpayments without charge, in line with their aims. L & G's mortgage record of suitability included the additional costs to consolidate the debt and the lower amount without consolidation. So they could see how much more they'd pay if they didn't make overpayments to pay down the debt. And it explained the debt would be secured on their home. Overall I'm not persuaded that the drawbacks of consolidating debt outweighed the advantages for Mr C and Miss D.

The new mortgage allowed Mr C and Miss D to increase their disposable monthly to around £300 a month. And at the same time they raised over £23,000 for home improvements. The interest rate was lower than their previous mortgage. The new mortgage allowed them the flexibility to overpay. And I don't consider I can now say, with certainty, that their existing lender would have given them a better rate and the flexibility they were seeking. Or that it would have agreed a further advance as their representative suggests.

2008 advice

Mr C and Miss D's representative also considers that L & G mis-sold the 2008 mortgage. At that time L & G advised them to take a ten year fixed rate mortgage. It says that this was in line with the objectives. Their monthly tracker mortgage payment had increased because interest rates had also increased.

I consider the ten year fixed rate mortgage gave Mr C and Miss D the certainty they were looking for. They wanted stable monthly payments. The fixed rate was first on the sourcing sheet giving the lowest monthly payments. And L & G explained that an early repayment charge applied for the ten years of the fixed rate. I've not seen any evidence to suggest their existing lender was willing to offer them a similar product at the same or better terms.

Mr C and Miss D's representative doesn't accept the adjudicator's suggestion that they were overspending. They had only small balances on the credit cards which charged interest. The bulk of the spending was on a 0% interest credit card – which suggests financial prudence. And they had sufficient disposable income to allow them to pay down the credit card balances in the short term.

Against this we have the mortgage record of suitability. In this document I find that L & G clearly explained that Mr C and Miss D would pay more to consolidate the 0% credit card, together with the other credit card balances. It said this would cost over £6,000 more over the mortgage term. It also went on to record that Mr C and Miss D were looking to reduce their outgoings and were willing to consolidate to allow for this. They'd done this before, in 2006, with the aim of overpaying their mortgage to reduce the additional borrowing in the shorter term. The 2008 mortgage allowed them to make overpayments of up to 10% each year, without charge. So having considered the overall circumstances, I find L & G gave Mr C and Miss D enough information to make an informed decision to consolidate, and this met their objective of reducing their outgoings.

Mr C and Miss D's representative suggests that L & G's main driver was the fees it would earn – in particular in selling payment protection insurance ("PPI"). The sale of PPI has been considered separately. And I don't conclude that the fees it would earn in the sale has any direct bearing on the mortgage advice, which I've concluded was suitable.

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 C and Miss D to accept or reject my decision before 29 January 2015.

Amanda Maycock
ombudsman