

complaint

Mrs A complains that she was mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited (L&G).

background

L&G made a recommendation to Mrs A for a remortgage. She also consolidated credit card debts and a loan into the new mortgage. She complained through her representative that the advice was unsuitable.

Our adjudicator recommended that the complaint be upheld. She said that Mrs A extended her mortgage for two years, going into her retirement, to achieve a minimal saving of £49 per month. She was not sure that the full extent of an extended term and the additional costs were fully explained. In addition the re-mortgage incurred costs of £870 net of 'help to buy costs' received.

The documentation showed Mrs A was shortly to come into an inheritance of about £10,000. There was no need to arrange a re-mortgage to consolidate the unsecured debts particularly bearing in mind that in 11 months' time Mrs A would have been in a position to repay the debts in full from the inheritance, and also make a capital repayment towards the mortgage. Had this been done she would have had fewer years remaining on the original mortgage.

The adjudicator said that L&G's position was that with the re-mortgage, Mrs A's monthly disposable income would increase from £85 to about £128, a difference of £43. But the adjudicator did not consider this saving warranted a re-mortgage with additional costs attached and a term extending into retirement, particularly when Mrs A's financial situation was going to change considerably.

The card debts were relatively small. The loan did have an outstanding balance of £1,345 but the term was already half expired and only had a further three years to run, rather than ten years within the new mortgage.

L&G didn't agree. No early repayment charge was payable to exit the existing mortgage so it was an appropriate time to consider a remortgage to a new lender. The £43 expenditure reduction represented a 50% increase in Mrs A's available funds. It was reasonable to fix the mortgage payments because it was likely she may have felt unable to cope with any further rises in the variable rate.

L&G said the inheritance didn't mean it was wrong to consolidate. By adding the debts to the mortgage, Mrs A was paying a lower rate of interest on them. With the facility for overpayments, she could use the inheritance to reduce her borrowing. Although debt was consolidated, it would have effectively been paid off in full when the inheritance was applied to the mortgage. It was therefore cheaper for her to consolidate debts and to apply the full lump sum to the mortgage, rather than retaining the unsecured debts outside the mortgage and repaying them a year later. Once the lump sum was paid to the mortgage, she would have been in a position to make further changes to bring the term in line with her anticipated retirement age.

my findings

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

Having done so I agree with the adjudicator and her reasons. I'm not persuaded that Mrs A would have been unable to afford to continue to pay the mortgage and debts.

The total saving by re-mortgaging was in my view insufficient to justify the fees and the extension of the term into Mrs A's retirement. With her inheritance Mrs A would have been able to repay the unsecured debts and pay a lump sum off her mortgage. She did not need to consolidate the debts into a ten year mortgage.

She was already on the existing lender's variable rate so could have approached that lender for a fixed rate if she wanted stability.

my final decision

My decision is that I uphold this complaint and direct Legal & General Partnership Services Limited to:

in respect of the re-mortgage:

- refund the amount of the set up fees/broker fees/charges with 8% simple interest per annum if paid up front, or at the mortgage rate if added to the mortgage balance.

In respect of the debt consolidation:

- work out the amount paid to date in capital and interest payments for the consolidated debt;
- calculate how much remains on Mrs A's mortgage balance in respect of the consolidated debt;
- work out how much would have been paid to clear the debt if it hadn't been consolidated; and
- add together the first and second figures, take away the third, then pay the resulting amount to Mrs A as a lump sum.

L&G may deduct income tax from the interest element of my award if it considers it appropriate, but should give Mrs A the necessary certificate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 22 April 2016.

Edward Callaghan
ombudsman