complaint

Mr B and Miss W complain they were mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited (L&G).

background

Our adjudicator recommended upholding this complaint. She felt that there wasn't any evidence to suggest Mr B and Miss W needed to re-mortgage at the time - and the mortgage recommended for them wasn't suitable, as it was more expensive. Also, our adjudicator worked out that Mr B and Miss W had been financially disadvantaged by consolidating a car loan as part of their re-mortgage.

Our adjudicator suggested L&G should pay Mr B and Miss W compensation to cover all the financial loss she calculated they'd incurred as a result.

L&G disagree. They say Mr B and Miss W wanted to avoid the uncertainty of interest rate changes and weren't concerned about minimising mortgage payments - and the recommended fixed rate product met those needs.

L&G said Mr B and Miss W had received alternative advice to stay on their existing lender's variable rate, so were aware of that option but chose to go ahead.

L&G agreed that the recommended fixed rate was more expensive than the variable rate of interest they were paying and to help offset the cost of this the adviser recommended they consolidate their loan. L&G says Mr B and Miss W knew they had a choice about whether to do this or not. But it accepted that the advice to consolidate the loan had cost Mr B and Miss W more than if they'd kept the loan separate. So L&G offered to refund this amount to Mr B and Miss W.

This isn't the outcome Mr B and Miss W are hoping for, so I'm looking at this complaint to decide how it should be settled.

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've come to the same view as our adjudicator. Here's why I say this.

Mr B and Miss W had a repayment mortgage with another lender that had £37,448 outstanding and 13 years left to run. They were paying the lenders variable rate of 2.99% at the time. The mortgage recommended for them was also on a repayment basis over a 13 year term.

But the four year fixed rate was substantially higher at 5.59%. And when Mr B and Miss W re- mortgaged with the recommended lender, they also consolidated a loan they'd taken out - the amount of their new mortgage was £45,700.

So Mr B and Miss W achieved the certainty of having fixed monthly repayments for the next four years – which had been an important consideration for them. But, this benefit came at a significant cost. Their monthly repayments increased and the overall cost of their borrowing was higher. They were left with less spare cash each month to spend and I'm not persuaded that offsetting this by recommending debt consolidation was good advice in their particular circumstances.

Mr B and Miss W planned to take out a car loan to buy a new car every five years. Consolidating their existing loan meant they'd still be paying for it when they took a new loan for their next new car (and possibly the next one after that). Their existing car loan had less than three years left to run. So I don't find it was suitable advice to recommend Mr B and Miss W consolidate this with a new mortgage over a 13 year term.

L&G acknowledge it's understandable Mr B and Miss W wanted to be able to put some money aside for emergencies. So it's difficult to see how the recommended mortgage would have helped Mr B and Miss W to do this. L&G say their monthly repayments towards their debt went down. But the new monthly repayments on their mortgage were quite a lot more than the amount they'd been paying each month for their car loan and existing mortgage.

L&G say Mr B and Miss W chose to take out the recommended mortgage knowing that they had the option not to. But I haven't seen enough information to satisfy me that, on balance, the full financial implications of the recommended deal were properly explained to Mr B and Miss W in a way that made clear the financial costs they were taking on in order to buy the four year fix recommended. I don't think it's likely Mr B and Miss W would've thought this worthwhile if the cost and benefit of doing this had been explained in a way that they'd understood at the time. Overall, I don't find that the mortgage recommended was suitable for Mr B and Miss W's needs and circumstances because their existing mortgage and car loan were adequate to meet those needs and better value. I believe the new mortgage left Mr B and Miss W worse off overall. For these reasons, I uphold this complaint.

fair redress

My approach is to aim to put Mr B and Miss W, as far as possible, into the position they'd have been in if they'd not taken out the L&G recommended mortgage and kept their existing mortgage deal and car loan. We'd usually require the business to pay interest on awards and I see no reason not to do that here.

my final decision

I uphold this complaint and I order Legal & General Partnership Services Limited to pay Mr B and Miss W as follows:

<u>costs of the new mortgage</u>

(A) refund the difference Mr B and Miss W have paid between the re-mortgage rate and their previous existing mortgage rate(s) plus 8% simple interest per annum calculated from the dates of each monthly payment to the date of settlement;

(B) refund the set up fees/broker fees/charges plus 8% simple interest per annum calculated from the date of payment to the date of settlement (or at the mortgage rate if added to the mortgage balance);

<u>the car loan</u>

(C) work out the amount paid to date in capital and interest payments for the car loan;

(D) calculate how much remains on Mr B and Miss W's mortgage balance for the car loan;

(E) work out how much would've been paid to clear the car loan if it hadn't been consolidated; and

(F) calculate (C) + (D) – (E) and pay this amount as a lump sum.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss W to accept or reject my decision before 12 November 2015.

Susan Webb
ombudsman