

complaint

Mr and Mrs W, through a claims management company, complain that they were given unsuitable mortgage advice by Legal & General Partnership Services Limited (L&G).

our initial conclusions

Our adjudicator recommended the complaint should be upheld. She thought the advice to consolidate unsecured debts was unsuitable. L&G disagreed. It explained it had already offered compensation for a credit card and one unsecured loan, as well as for a reserve fund. But it disagreed that advice to consolidate two other unsecured loans was unsuitable. It disputed Mr and Mrs W had the level of disposable income the adjudicator suggested was available. L&G says the fact that these debts existed suggested Mr and Mrs W were spending the majority of their income.

my final decision

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 that the advice to consolidate unsecured debts into long-term debt secured on a property was unsuitable.

L&G has confirmed it has offered compensation for a £3,000 reserve fund, a credit card and one loan. But there were two other loans. L&G considers the advice to roll these up into a 12-year mortgage was suitable advice, given what it says was Mr and Mrs W's available income.

I'm not persuaded Mr and Mrs W needed to do this, having looked at their disposable income. I can't see there was any immediate need to reduce their income or that they'd have found those loans unaffordable over the short-term. So I'm satisfied they'd have been able to repay these within their original terms without difficulty. By adding them to the mortgage they will be paying increased interest over the term of the mortgage, which I find is unnecessary, given their circumstances.

My decision is that I uphold this complaint. In settlement, I require Legal & General Partnership Services Limited to pay the redress set out overleaf.

Under the rules of the Financial Ombudsman Service, I am required to ask [insert anonymised name here] either to accept or reject my decision before 1 September 2015.

Jan O'Leary

ombudsman at the Financial Ombudsman Service

The ombudsman may complete this section where appropriate – adding comments or further explanations of particular relevance to the case.

ombudsman notes

In settlement of this complaint I require Legal & General Partnership Services Limited to calculate:

- the amount paid to date in capital and interest payments for the consolidated debt;
- how much remains on their mortgage balance for the consolidated debt;
- how much would have been paid to clear the debt if it had not been consolidated;
- add together the first and second figures, take away the third, and then pay the difference as a lump sum;
- refund that percentage of the broker fee/charges in respect of the consolidated debts plus 8% simple interest per annum if paid up front, or at the mortgage rate if added to the mortgage.

The above figures should take into account compensation already paid by L&G for the reserve, the credit card and one unsecured loan.

what is a final decision?

- A final decision by an ombudsman is our last word on a complaint. We send the final decision at the same time to both sides – the consumer and the financial business.
- Our complaints process involves various stages. It gives both parties to the complaint the opportunity to tell us their side of the story, provide further information, and disagree with our earlier findings – before the ombudsman reviews the case and makes a final decision.
- A final decision is the end of our complaints process. This means the ombudsman will not be able to deal with any further correspondence about the merits of the complaint.

what happens next?

- A final decision only becomes legally binding on the financial business if the consumer accepts it. To do this, the consumer should sign and date the acceptance card we send with the final decision – and return it to us before the date set out in the decision.
- If the consumer accepts a final decision before the date set out in the decision we will tell the financial business – it will then have to comply promptly with any instructions set out by the ombudsman in the decision.
- If the consumer does not accept a final decision before the date set out in the decision, neither side will be legally bound by it.