complaint

Mr T through his solicitor A complains that St James's Place Wealth Management Plc's ("St James) appointed representative R didn't give appropriate advice about debt consolidation. They want matters put right.

background

Mr T in 2006 took advice from R, who advised him to take out a new interest only mortgage and borrow enough to also pay two credit card debts ("debt consolidation"). R said that this advice was unsuitable as it said R didn't explain the extra interest Mr T would have to pay as a result or consider why the debt consolidation was appropriate when an interest only mortgage was being taken out. Mr T's primary reason for remortgaging was to remove his former partner from the title of the property.

A complained to St James. It said due to the passage of time there was little evidence available. St James felt that there was no evidence that the advice given was unsuitable, particularly as Mr T had a significant amount of debt and was trying to remove his former partner's name from the property. It noted after the mortgage was taken out, Mr T got into arrears so it was possible he was struggling to repay his debts. St James said the remortgage increased Mr T's disposable income.

A complained to us, and explained Mr T got into arrears due to a road accident. The adjudicator's view was that credit card debt wasn't always repaid in an effective manner, and there was no evidence that Mr T would've made more than the minimum repayments if he hadn't consolidated the two credit cards. She thought that it was more likely than not that Mr T chose an interest only mortgage to increase his disposable income.

A disagreed. It pointed out that consolidating the two credit cards into an interest only mortgage meant the debt still wasn't being repaid. A thought R should've reviewed its advice when the decision was made to chose an interest only mortgage, rather than take out a repayment mortgage. The adjudicator said that it was Mr T's choice to take out an interest only mortgage because he had a second property which could be used to repay it (which wasn't known by R at first it seemed). She also said if Mr T hadn't consolidated the credit cards, he'd have been paying a similar amount of money each month in any event.

my findings

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

There's no dispute that if the new mortgage had been on a repayment basis, the advice given by R would've been suitable. Due to the passage of time, there's no record of all the advice given by R to Mr T, so I have to decide what is more likely than not to have happened on the basis of what's available.

I think it's more likely than not that R did explain debt consolidation to Mr T. I note he chose only to consolidate some of his debts, not all, which suggests he made a decision about what to consolidate. And as it appears that Mr T was only making the minimum payments on his credit card debt, both A and the adjudicator agree this wasn't an effective way of repaying the debt. Effectively, whether Mr T consolidated the debts or not, he wasn't going to repay the actual debt without doing more. By consolidating the debt, Mr T included the two credit card debts within the interest only mortgage, which must eventually be paid. His plan was to use the proceeds of sale from a second property to pay the mortgage when it ended; that means by consolidating, Mr T ensured he would eventually pay the credit card debt.

A points out that by consolidating the credit card debt, Mr T may've paid more interest than he otherwise would have. But there's no evidence that this position is correct. The interest only mortgage was a tracker mortgage with a small amount of interest added to the base rate, which reached historic lows following the start of the mortgage. I think it's more likely than not, even allowing for years of payments (bearing in mind Mr T was originally only paying the minimum payment for the credit cards), Mr T paid less interest than if he'd not consolidated.

St James feels the arrears history shows Mr T wasn't in a great financial position immediately after the mortgage was taken out, so it says it's more likely than not Mr T had to consolidate his debts. A says the arrears were caused by a road accident. Looking at the evidence, I can see Mr T recovered relatively quickly from the accident and his financial problems were linked to the performance of his business. I can also see even by 2013, Mr T struggled to pay his mortgage on time. And bearing in mind Mr T was paying the minimum payments on his credit card debts and had split up with his partner, I think it's more likely than not he wasn't managing his finances comfortably.

Having considered the evidence, I can't say the advice to consolidate the two credit cards was unsuitable or caused Mr T financial loss.

my final decision

My final decision is that I don't uphold the complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 1 March 2018.

Claire Sharp
ombudsman