

complaint

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

Mr and Mrs B are represented by a third party I'll call 'R'

R says Mr and Mrs B feel particularly unhappy about the following issues:

- unsuitable debt consolidation advice
- Mr and Mrs B *just* wanted a tracker product and not a fixed rate
- Mr and Mrs B ended up with uncompetitive tracker *and* fixed rate deals –there's nothing in the mortgage paperwork that explains why this was suitable advice
- the mortgage wasn't a suitable product. The initial rate was an uncompetitive tracker when much lower rates were available. And, after two-years, the recommended mortgage converted to a three year fixed rate at 5.69%. Advising Mr and Mrs B to guess the level of interest rates so far ahead was unreasonable

To resolve this complaint Mr and Mrs B want more compensation than L&G has so far offered to pay.

background

L&G said Mr and Mrs B's original objectives changed after their adviser discussed various different options. And its adviser recommended a suitable mortgage which met Mr and Mrs B's requirements. After considering their aims and views, together with their circumstances, Mr and Mrs B were happy to act in line with the adviser's recommendation. But L&G agreed that advice it gave Mr and Mrs B to borrow extra on their mortgage to pay off some debt was unsuitable. L&G offered Mr and Mrs B compensation for this. The settlement offer also included refunding associated interest and broker fees.

Mr and Mrs B were unhappy with this response and asked us to look into their complaint. Our adjudicator felt that, except for the advice to consolidate credit card debt, the overall mortgage advice had been suitable. And L&G's offer in relation to the unsuitably consolidated debt was fair and reasonable. So she suggested that Mr and Mrs B should settle the complaint on the terms L&G had already offered.

R disagrees. It says Mr and Mrs B wouldn't have known anything about the sort of mortgage L&G recommended for them. And L&G should've talked them out of trying to guess what interest rates might be in three years time. R says L&G put its commercial priorities ahead of Mr and Mrs B's interests. So the complaint has been passed to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken carefully into account everything R says in response to the adjudicator's assessment. But, like the adjudicator, I find that, save for the advice to consolidate credit card debt, the mortgage L&G recommended was suitable for Mr and Mrs B. Here's why I say this:

the advice to remortgage

L&G recommended a mortgage that enabled Mr and Mrs B to move to the tracker deal they wanted for the next two years. It also gave them some security in terms of knowing what they'd have to pay for the following three years. At the time, no-one could've predicted that interest rates would remain at an historic all time low. Based on previous experience, this mortgage deal gave Mr and Mrs B peace of mind at the time. They were free to remortgage without incurring an early repayment charge.

Mrs B planned to cut down her working hours. This meant there'd be quite a big drop in the household income. Moving to an interest-only mortgage made this an affordable option. The adviser had given Mr and Mrs B information about a repayment mortgage as well.

It mightn't have been the sort of mortgage Mr and Mrs B had ever had before. And it wasn't what they initially enquired about. But the mortgage paperwork shows that everything I'd expect to see was discussed and Mr and Mrs B decided the recommended mortgage deal was what they wanted. I find the recommended mortgage met Mr and Mrs B's objectives and L&G's advice was suitable for their needs and circumstances at the time. I don't find that the mortgage was mis-sold.

the advice to consolidate debt

student loan - Mr and Mrs B wanted to reduce their monthly outgoings. Mrs B's student loan was costing them £150 each month. It was on a much lower rate of interest than the remortgage. And L&G explained the overall cost of consolidation, and the risk associated with spreading short term debt over the term of the mortgage. But it looks to me as if Mr and Mrs B decided to prioritise the benefit of having reduced monthly outgoings over the increased cost. I can't fairly say they weren't properly informed when they chose to consolidate Mrs B's student loan.

credit card debt - L&G has already accepted that it shouldn't have advised Mr and Mrs B to consolidate a small amount of credit card debt. I don't think Mr and Mrs B would've found it hard to clear the balances quite quickly. So it didn't make financial sense for them to secure credit card debt on their property and add the amount onto their mortgage. L&G has offered redress which will fairly reflect how much doing this left Mr and Mrs B out of pocket. And it'll also pay Mr and Mrs B the proportion of the broker fee they were charged in respect of the debt consolidation plus interest.

I find that L&G's compensation offer is fair.

I've taken into account that R says the adviser recorded the wrong rate when reviewing Mr and Mrs B's existing lender's interest rate – it wasn't 3.65% but had been 3.5% for some time. But this makes no significant difference and doesn't affect my decision. I say this because Mr and Mrs B signed up to a 3.19% two year base rate tracker. So they weren't paying a much higher rate than their existing lender's standard variable rate and it gave them a tracker product - which appears to have been a more important consideration for Mr and Mrs B.

Looked at overall, I find L&G responded fairly and reasonably to this complaint. It seems to me that L&G's adviser identified the best option that enabled Mr and Mrs B to move to a mortgage deal that better suited their priorities at the time. Mr and Mrs B were free to do something different if they hadn't wanted to act on that advice. Except for the advice about

credit card debt consolidation, I find L&G's recommendation was suitable for Mr and Mrs B. And it has offered to pay Mr and Mrs B compensation. So I don't require L&G to do more than it has offered to do already.

In my decision, I've just concentrated on looking at the mortgage advice – there was another complaint issue but it's being addressed separately elsewhere so I don't need to look at that.

my final decision

My decision is that Legal & General Partnership Services Limited should carry out an up to date calculation and pay Mr and Mrs B, as it offered to do, as follows:

A - refund the amount Mr and Mrs B paid in capital and interest payments for the consolidated cards to date

B - refund the amount of the consolidated cards that remains on Mr and Mrs B's mortgage balance

C - deduct the amount Mr and Mrs B would've paid to clear the debts if they hadn't been consolidated within their mortgage

D - refund the portion of the broker's fee applicable to the consolidated cards plus the mortgage interest Mr and Mrs B have paid because they were added to the mortgage borrowing

Under the rules of the Financial Ombudsman Service, I'm required to ask R on behalf of Mr and Mrs B to accept or reject my decision before 28 October 2016.

Susan Webb
ombudsman