

complaint

Mr and Mrs S complain, via a claims management company, that an authorised representative of Legal & General Partnership Services Limited (L&G) advised them to consolidate unsecured debt onto a mortgage, which they say was not in their best interests.

background

Mr and Mrs S re-mortgaged their house in 2005. L&G recommended that they consolidated some unsecured debt and borrow extra money for some home improvements.

Mr and Mrs S's representative says that L&G shouldn't have recommended consolidating debt, as that wasn't in Mr and Mrs S's best interests. The debts consolidated were a credit card which Mr and Mrs S would likely have paid in under a year and a loan that would have run for about a further two years.

L&G says that Mr and Mrs S had several reasons for re-mortgaging: they wanted to reduce their monthly outgoings, repay their unsecured debt, raise some additional money for home improvements and have certainty over their future payments. It says the mortgage recommended allowed Mr and Mrs S to do all of these things and they understood the implications of consolidating their debt.

I see from the evidence provided that Mr and Mrs S also bought payment protection insurance (PPI) when they took out the mortgage. For clarity, this decision only considers the advice received about the mortgage, as no complaint has been raised about the PPI.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Although I have noted the representative's comments on other decisions issued by this service, I have reached my conclusions based on the particular circumstances of this complaint.

I don't know exactly what was said in the meeting between Mr and Mrs S and L&G. So I've considered the statements made and the documentation provided by both parties. I can see that Mr and Mrs S had at least two meetings with L&G, and a "Personal Mortgage Analysis Document" (PMAD) was completed. The PMAD appears to have been completed whilst Mr and Mrs S were discussing their requirements and they signed it at the second meeting.

From the information on the form, it does appear that Mr and Mrs S were making choices about the mortgage they wanted and had given L&G a list of their requirements. Amongst those requirements were that they wanted the flexibility to overpay on their mortgage; to pay off their loan and credit card debt; to reduce their outgoings; to raise some extra money and to know how much they would have to pay each month.

Mr and Mrs S's representative has challenged the appropriateness of some of the questions asked in the PMAD. It says that one question – *"If possible would you like to repay your loans at a more competitive rate"* is misleading, and that *"A need for debt consolidation has been created by offering a false prospectus about the savings/benefits a client can achieve"*. I don't agree. The question is one of a series which I am satisfied were meant as a prompt for discussion to establish Mr and Mrs S's circumstances and taking one question out of context isn't helpful. Furthermore there is no *promise* of more competitive rates at this point.

The representative goes on to say that asking Mr and Mrs S if they have a car loan and how they might finance the purchase of their next car is encouraging Mr and Mrs S to borrow for that purpose. Again I don't agree. The questions could be interpreted as encouraging Mr and Mrs S to borrow to buy a car – or they could be seen as legitimate questions about the impact of such borrowing in the future. On balance, I think the latter is more likely. And I think it's a reasonable query. Many people borrow substantial amounts over short periods of time to buy cars, and I think it's sensible to consider the potential impact of that on disposable income when taking out a new mortgage. As for Mr and Mrs S specifically, their answer was that they didn't have an existing car loan and would buy their next from savings. There's no indication that borrowing was encouraged.

Flexibility and monthly payments

The mortgage L&G recommended allowed overpayments – so the flexibility Mr and Mrs S wanted has been provided. That means also that Mr and Mrs S could overpay and reduce the impact of consolidating a debt onto a longer term basis if they so wished. L&G also recommended a fixed rate product – so Mr and Mrs S had certainty that their monthly payments wouldn't change for 5 years.

Debt consolidation

The representative says that – because of the way debt consolidation was presented in the fact find – the objectives Mr and Mrs S wanted to achieve should be treated with caution. Those objectives are summarised on the last page of the PMAD – and Mr and Mrs S have signed next to them to confirm the content of the document. I think it likely that these were the main objectives Mr and Mrs S wanted to achieve.

Mr and Mrs S had more than one credit card, but chose only to consolidate one that had an outstanding balance month to month. L&G sent a summary of its discussion to Mr and Mrs S some time after their meeting. Mr and Mrs S have signed the bottom of each page to confirm that they have read it. There is a section headed "Debt consolidation" which explains how much of the mortgage is for this purpose and that re-financing the debt is likely to cost more over the longer term. And it specifically covers the fact that Mr and Mrs S wanted to consolidate some of their credit card debt, even though they might have been able to pay it off over a short period. It also says that Mr and Mrs S didn't want to clear a second credit card as they paid that in full monthly. That does seem to indicate that Mr and Mrs S were making choices about the consolidation and knew the impact it would have. If they thought the summary didn't reflect what they had discussed I would have expected them to raise that at the time, but I can't see that Mr and Mrs S did that.

Reduced payments

Mr and Mrs S also wanted to increase their disposable income. That increased by about £400 per month following the re-mortgage. That's despite the fact that they also raised some additional cash for home improvements.

Overall, I'm satisfied that, given Mr and Mrs S's list of requirements and their particular circumstances that the recommendation both met their wishes and was suitable.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs S to accept or reject my decision before 16 July 2015.

Susan Peters
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