

## **complaint**

This complaint is about a mortgage arranged for Mr F and Ms S by an adviser connected with Legal & General Partnership Services Limited ("L&G").

Mr F and Ms S complain that they were given unsuitable mortgage advice when L&G recommended them to move to an interest-only mortgage and consolidate debt. To resolve this complaint Mr F and Ms S are looking for compensation.

Mr F and Ms S are represented by a third party I'll call 'R'

## **background**

When Mr F and Ms S complained to L&G, it looked at the overall mortgage advice it gave them. It said its adviser recommended the mortgage he did as their credit history limited their choice of lender. And advising Mr F and Ms S to consolidate two unsecured loans and set up their mortgage on an interest only basis reduced their monthly outgoings and gave them extra money to spend. L&G concluded that its adviser's recommendation to remortgage was suitable and didn't uphold their complaint.

R was unhappy with this response and asked this service to look into this complaint.

Our adjudicator didn't recommend upholding the complaint. She looked at the various issues R raised. In summary, she said:

- when L&G assessed Mr F and Ms S' financial situation they were spending more than their income each month
- the recommended lender was chosen after discussion with Mr F and Ms S - problems with their credit history limited the lenders prepared to go ahead with their mortgage application
- Mr F and Ms S' financial situation was shortly due to change when they came to the end of a fixed rate deal on their existing mortgage. If Mr F and Ms S had taken on the repayment mortgage without consolidating debts then the monthly payment for the mortgage and the debts would've been unaffordable for them
- Mr F and Ms S weren't concerned about a guarantee that the mortgage was paid off at the end of the term
- in the mortgage paperwork there's a note that this was the only affordable option open to them. And Mr F and Ms S intended to review the interest-only arrangement in due course to ensure that appropriate repayment arrangements were put in place. The adviser strongly recommended that the arrangement should be reviewed when the fixed rate period on the new mortgage ended and when Mr F's business was established. By then it was also likely that the credit history problems wouldn't any longer be an issue
- the costs of debt consolidation had been explained by the adviser
- so our adjudicator could see why the adviser had recommended going over to an interest-only mortgage which included debt consolidation. And, overall, our

adjudicator concluded that L&G's mortgage advice was suitable in Mr F and Ms S' particular situation.

R disagreed with our adjudicator. R said (in summary):

- if the mortgage L&G recommended to Mr F and Ms S was unaffordable as a repayment mortgage, then it was unsuitable for them as an interest only mortgage. That's because no account was taken by the broker of ability to repay the mortgage at the end of its term. It didn't make any difference that Mr F and Ms S may have subsequently considered remortgaging again
- there was no regard given to ensuring that Mr F and Ms S had an adequate plan in place to clear the mortgage at the end of the term
- for these reasons it follows that the recommendation of an interest only mortgage was also unaffordable and was therefore unsuitable.

So the complaint has been referred to me 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. I've taken carefully into account everything R says in response to the adjudicator's assessment. But I agree with the adjudicator for the same reasons.

Mr F and Ms S were overspending each month. And their circumstances weren't likely to improve when the fixed rate they were on at the time came to an end. So they needed to do something to improve their financial situation. The adviser made it clear to Mr F and Ms S that their immediate options were limited. The mortgage L&G recommended was more affordable for Mr F and Ms S in the short term. L&G made clear that it was in their best interests to review the arrangement currently recommended for them as soon as circumstances allowed. The adviser explained that when their credit history improved this would open up the possibility of getting a better mortgage deal.

I agree that it wasn't an affordable option at the time for Mr F and Ms S *not* to consolidate debt. L&G did explain the extra expense of debt consolidation and the fact that the debts were now secured. And Mr F and Ms S had to do this in order to get the benefits offered by the new mortgage they signed up to.

On balance, I'm not persuaded that L&G didn't take Mr F and Ms S' needs and circumstances properly into account or that it didn't give them suitable mortgage advice. I can't see that they've lost out financially by acting on L&G's advice.

**my final decision**

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R on behalf of Mr F and Ms S to accept or reject my decision before 4 August 2016.

Susan Webb  
**ombudsman**