

complaint

Mr and Mrs Y complain that Legal & General Partnership Services Limited advised them to use their mortgage to consolidate unsecured debts of £11,000.

background

Mr and Mrs Y bring this complaint through their solicitor.

In 2007 Mr and Mrs Y consulted Legal & General about re-mortgaging their property because their fixed rate deal was coming to an end. On Legal & General's advice they took out a ten year fixed rate mortgage. As part of the deal they borrowed another £11,000 to pay off personal loan and credit card debts. By consolidating these debts Mr and Mrs Y reduced their monthly outgoings by £200 but increased the amount they would have to repay by about £25,000 over the term of the mortgage.

my provisional decision

I issued a provisional decision in which I said that I didn't think the complaint should be upheld. Neither Mr and Mrs Y or Legal and General have asked me to take any further information into account. It follows that for the reasons set out below I have concluded that there was no error on the part of Legal and General.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

At the time they were re-mortgaging, Mr and Mrs Y's disposable income had fallen from £1,300, when they had taken out the previous fixed rate deal, to £625 a month. This was because they now had two children and Mrs Y was only working part-time. Mr and Mrs Y were both in secure professional occupations and could be reasonably confident that their earnings would increase, especially if Mrs Y returned to full-time employment.

I don't think the fact that Mr and Mrs Y had a monthly surplus of £625, after meeting their financial commitments, necessarily meant that debt consolidation wasn't appropriate for them. Mr and Mrs Y had experienced a significant drop in disposable income at a time when their expenses were increasing as their family expanded. They may well have been open to an arrangement which would reduce their monthly outgoings in the immediate future, even if it cost them more in the long term. This would enable them to maintain their previous standard of living until such time as their income increased.

Information about the new mortgage is contained in the record of suitability that L&G has provided. Mr and Mrs Y have both signed each page of this document so I accept that they had the opportunity to read the information it contained and confirm that it accorded with their understanding of what was on offer.

The term of the mortgage was extended from 25 to 28 years. The reason given for this is Mr and Mrs Y wanted to reduce their monthly outgoings. This supports my conclusion that it is likely they wanted to consolidate debt for the same reason.

The section dealing with the debt consolidation is in standard form, but I am satisfied that it provides sufficient information about the consequences of consolidating unsecured debts for Mr and Mrs Y to make an informed decision. In particular it sets out the full cost of the mortgage both with and without the debt consolidation. It is immediately obvious from these figures that the debt consolidation will add significantly to the overall cost of the mortgage.

While I agree that L&G had an obligation to make sure that it didn't recommend a product that wasn't suitable for Mr and Mrs Y's needs, I'm satisfied that providing advice about debt consolidation was appropriate given their circumstances. It meant they could reduce their outgoings in the short-term at a time when their finances were fully stretched. While there was a long-term cost to doing that, that doesn't make it unsuitable. Mr and Mrs Y had the opportunity to make an informed decision and I think that is what they did.

my final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs Y to accept or reject my decision before 6 July 2015.

Melanie McDonald
ombudsman