## complaint

Mr D complains that a representative of Legal & General Partnership Services Limited (L&G) mis-sold him a repayment mortgage and wrongly advised him to consolidate his debt. He says the term of the mortgage was extended to make this affordable. He says he wanted an interest only mortgage over a shorter period and has now had to pay interest on the consolidated fees and debt unnecessarily.

## background

Mr D had an existing repayment mortgage of about £64,000 and in 2005 he approached L&G about re-mortgaging that and raising some extra money for home improvements.

L&G provided recommended a capital and interest repayment mortgage and that Mr D consolidate a credit card debt and the fees for the mortgage. It recommended a term of 20 years to make repayments affordable.

About a year later Mr D approached his lender and converted the mortgage to interest only – he says he did this because he couldn't afford the mortgage L&G recommended.

L&G says the mortgage – including the consolidation – was suitable for Mr D.

Our adjudicator didn't recommend that this complaint should be upheld. She thought that the recommendation for a repayment mortgage was appropriate and also the term.

Mr D's representative acknowledges that the mortgage advice was compliant but says that Mr D asked for the cheapest possible monthly payments regardless of whether that increased his risk of not being able to repay longer term. It also says that the surplus he was left with after the re-mortgage wasn't enough – so he wouldn't have been able to maintain payment long term.

## my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I've come to the same conclusions as the adjudicator, for much the same reasons.

I've looked at the various documents provided by L&G and read carefully Mr D's recollections and the statements made on his behalf. I've summarised the main issues below. I've noted that Mr D signed the fact find completed by L&G and each page of the recommendation made – so I think he was participating actively in the process.

*Did L&G act appropriately when it recommended the type of mortgage Mr D should have?*

Mr D says that his over-riding purpose when he talked to L&G was to reduce his monthly outgoings, although he also wanted some additional money for minor home improvements. He says he wanted to achieve that by re-mortgaging his existing capital and interest mortgage to an interest only one. I can see that L&G considered that – because it produced mortgage illustrations for both interest only and capital and interest loans. But I do think L&G had a greater duty of care than to simply provide Mr D with what he wanted – it also needed to ensure that the products it recommended were suitable given his particular circumstances.

Mr D says L&G recommended the capital and interest mortgage as more suitable. I think, having looked at Mr D's circumstances, that that was appropriate. Mr D was relying on a lump sum from his pension and an inheritance to repay the capital on his mortgage. The second of these often isn't an appropriate way to repay a debt. The amount and timing of an inheritance isn't at all certain – and indeed one of Mr D's parents is alive ten years later, so he hasn't received the inheritance he expected.

Mr D's representative says that if Mr D had an interest only mortgage over ten years then he could have extended the term when the ten years ended. I'm not convinced that this is necessarily the case, as the broader lending environment and availability of money changes over time. Nor was it a strategy I'd expect L&G to recommend in 2005. By recommending a repayment mortgage, L&G was ensuring that Mr D wouldn't eventually have to rely on the inheritance to repay the majority of his mortgage. Mr D wasn't under any compulsion to take the mortgage recommended by L&G. And Mr D would still be free to repay parts of his mortgage as and when he received any substantial sums and reduce or cancel the amount he might have to pay on a monthly basis. I'm satisfied that this advice was appropriate.

*Was the recommended mortgage affordable?*

The paperwork from L&G shows that it assessed Mr D's income and outgoings, although Mr D doesn't recall this in any detail. Taking into account his existing mortgage payment (£655) and the minimum payment he was making on his credit card (£75), L&G said Mr D was overspending each month. It recommended that Mr D consolidate his credit card (about £2,500) onto his mortgage, and also add the arrangement fees plus the £5,000 he wanted for home improvements. That left him with a new mortgage of just over £74,000.

The monthly payment for this was about £520. That was significantly less than the £730 he was paying towards his debt previously, and left him with a surplus each month rather than a deficit. So I think that was an appropriate recommendation. I accept that the mortgage was due to run past Mr D's anticipated retirement date. However, the suitability document notes that Mr D wasn't working full time in 2005 and intended to review his mortgage after two years, when the fixed rate period ended. By that time he expected to be in full time employment. I also see that the adviser had noted elsewhere Mr D's likely income in retirement and it still seems that the payment was affordable. Mr D's position would be further improved if he paid off lump sums as he anticipated.

*Should L&G have recommended consolidating the unsecured debt?*

I've also considered whether it was reasonable to consolidate Mr D's credit card onto his mortgage. Mr D says he hadn't thought about that before he talked to L&G. He also says he would have been able to continue paying £75 a month towards this and might have managed more if his mortgage repayment had been cheaper. L&G's recommendation most likely transferred the credit card to a lower rate of interest. And the mortgage product allowed him to overpay by up to 10% of the capital (about £7,500) each year. So if Mr D did have extra money available, he could have paid that into his mortgage account and so reduced his debt and any associated interest.

I've also noted that Mr D had substantial savings at the time he took out the mortgage. But a note on the paperwork says he didn't want to use these towards clearing his short term debt or for his home improvements. So it seems to me that Mr D was comfortable with the idea of increasing – or maintaining – his debt levels and the approach L&G recommended.

Overall, I'm satisfied that the advice provided by L&G was suitable for someone in Mr D's circumstances.

I understand that Mr D transferred his mortgage to an interest only basis some time in 2006. His representative says that means he has been paying interest on the consolidated debt and some fees. I don't think Mr D's later actions mean that the original advice wasn't appropriate and doesn't affect my decision.

**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 D to accept or reject my decision before 7 August 2015.

Susan Peters
**ombudsman**