

complaint

Mr and Mrs F complain that The Mortgage Matters Partnership (TMMP) mis-sold an interest only mortgage to them. They are represented by "Z".

background

Mr and Mrs F took out an interest only mortgage in 2007 on the advice of TMMP. Z says the mortgage was unsuitable for Mr and Mrs F as:

- TMMP cold called them. They did not need to re-mortgage and were not in financial difficulty.
- Mr and Mrs F did not ask for their loans to be consolidated. Adding short term loans to the mortgage increased their overall cost without sufficient short term gain.
- They had no arrears or adverse credit history. They did not need to apply to a non-high street lender on a self-certified basis.
- TMMP recommended an interest only mortgage to replace Mr and Mrs F's repayment mortgage without explaining the consequences or checking they had a plausible repayment strategy. It did not explain that monthly payments would increase when they changed to a repayment basis. Mr and Mrs F did not tell TMMP they intended to sell the property to repay the debt.
- TMMP did not demonstrate the mortgage it recommended was the least expensive option. It should have advised Mr and Mrs F to seek a suitable product from their existing lender.

The adjudicator did not recommend that the complaint should be upheld. She did not consider the mortgage was mis-sold. She said:

- Mr and Mrs F said they were cold called. TMMP said they agreed to be contacted by a mortgage intermediary. There were no documents to support either version of events. Mr and Mrs F had contacted TMMP previously and it seemed they were happy to proceed with TMMP.
- The fact find said Mr and Mrs F wanted to reduce their monthly payments and refinance debts at mortgage rates. The broker had considered the effect of debt consolidation and warned Mr and Mrs F that it might increase the overall cost.
- Mr and Mrs F's mortgage account had previously been in arrears and there was a county court judgement against Mr F. Mr F was self-employed. His income fluctuated and was difficult to verify, so they applied for a self-certified mortgage.
- The fact find said Mr and Mrs F wanted to switch to interest only for a time. TMMP discussed a repayment mortgage, which Mr and Mrs F could just afford, but they chose interest only to keep payments low due to their fluctuating income. While TMMP had not been able to provide a copy of the repayment illustration, it had made Mr and Mrs F aware of the cost of a repayment mortgage.

- While Mr and Mrs F said they had not told TMMP they would repay the mortgage from the sale of the property, they had signed the reasons why letter to confirm it was correct. Sale of property was considered an acceptable way to repay an interest only mortgage at the time. Mr and Mrs F had confirmed they were aware of repayment methods and the consequences of not having repayment arrangements.
- Mr and Mrs F asked their existing lender for a further advance in 2006 and were refused. It seemed unlikely an application for a further advance would have been agreed.

Mr and Mrs F did not agree. Z repeated previous points and said (in summary) Mr and Mrs F were entitled to rely on TMMP's advice. It said TMMP had not shown the mortgage it recommended was suitable for Mr and Mrs F and its main motivation was to get its fee.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

TMMP recommended the mortgage. So the Mortgage Conduct of Business sourcebook (MCOB) required it to obtain all relevant information and ensure any mortgage it recommended was suitable for the customer's needs and circumstances. I am satisfied TMMP did a fact find with Mr and Mrs F and sent them a reasons why letter. It completed a provision of information checklist. Each were signed by Mr and Mrs F to confirm the information was correct.

The fact find says that Mr and Mrs F's first priority was to reduce monthly payments. Their second priority was to switch to interest only payments in the short term to keep payments to a minimum. TMMP recommended an interest only mortgage for about £145,000. Of this, £116,000 was to repay the existing mortgage and about £20,000 to repay other debts, including a £15,000 secured loan. Z says the recommendation was not suitable and raised a number of concerns.

Cold Calling: The parties dispute whether Mr and Mrs F were cold called by TMMP and there is no document available from the time that shows how contact was first made. Mr and Mrs F had contacted TMMP previously and, it seems, were happy to proceed with TMMP.

Debt consolidation: The fact find said Mr and Mrs F wanted to consolidate debts and reducing their monthly payments was their main priority. They sometimes had difficulty meeting payments due to variations in Mr F's income. TMMP considered the effect of debt consolidation and warned Mr and Mrs F it might increase the overall cost of the debt. The mortgage it recommended achieved Mr and Mrs F's aim to reduce monthly payments. In the circumstances, I am not persuaded the recommendation to consolidate debt was unsuitable.

Sub-prime product: Mr and Mrs F had previously fallen into arrears with a mortgage and Mr F had a county court judgement against him. Mr F was self-employed: his income fluctuated and was difficult to verify. In the circumstances, I am not persuaded it was unreasonable for TMMP to recommend a self-certified subprime mortgage product.

Interest only: The fact find says Mr and Mrs F sometimes had cash flow difficulties due to variations in Mr F's income. It said while Mr and Mrs F wanted the certainty of the mortgage being repaid, they opted for an interest only mortgage to keep payments low and help cash flow. TMMP discussed a repayment mortgage, which Mr and Mrs F could afford, but they chose an interest only mortgage to keep payments low.

I am satisfied Mr and Mrs F knew the mortgage was interest only. I am also satisfied they were made aware of the need for a repayment strategy, and the consequences of not putting one in place. The fact find said they intended to change to a repayment basis later. The reasons why letter said the capital would be repaid from the sale of the property. While Mr and Mrs F dispute they said this, they signed the reasons why letter to confirm this was correct. Overall, I am not persuaded the recommendation of an interest only mortgage was unsuitable for Mr and Mrs F at the time.

Application to existing lender: Mr and Mrs F asked their existing lender for a further advance in 2006 and were refused. As it seems unlikely an application for a further advance would have been agreed, I do not find TMMP made an error by not recommending Mr and Mrs F apply to their existing lender.

Fees: Mr and Mrs F were made aware of the fees payable to TMMP before agreeing to the mortgage.

I am satisfied TMMP took Mr and Mrs F's needs and circumstances into account when it recommended the mortgage. It made Mr and Mrs F aware of the interest only nature of the mortgage and the risks of debt consolidation. Overall, I am not persuaded this mortgage was mis-sold or that it was unsuitable for Mr and Mrs F at the time.

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 F to accept or reject my decision before 17 April 2015.

Ruth Stevenson
ombudsman