

complaint

Mr and Mrs P complain about the mortgage advice they received in late 2008 and early 2009 from KRM Mortgage & Financial Consultants Ltd. KRM is an appointed representative of The On-Line Partnership Limited, trading as IN Partnership.

Mr and Mrs P feel the advice was unsuitable.

background

Mr and Mrs P met with KRM in late 2008. KRM gave them advice and a recommendation, and they went ahead with a new mortgage which completed in February 2009.

In July 2016, through their solicitors, Mr and Mrs P complained. The solicitors thought KRM hadn't properly explained the longer-term consequences of the mortgage. They said KRM's recommendation that Mr and Mrs P add unsecured debt to the mortgage and move it from a capital and interest repayment basis to an interest-only basis was inappropriate. They also said KRM had misled Mr and Mrs P and they'd only agreed to go ahead because they thought there was no other option.

KRM didn't think it had done anything wrong, and our investigator agreed. The investigator thought KRM had made a suitable recommendation, in the light of what it knew about Mr and Mrs P's needs and circumstances. She also said it had given Mr and Mrs P documents setting out details of the new mortgage they took.

Mr and Mrs P's solicitors asked for a review. They repeated some of their earlier arguments, saying that Mr and Mrs P didn't realise they had any other option but to go ahead with the new mortgage, and they didn't understand the long-term consequences. They also thought KRM should have known Mr and Mrs P wouldn't make overpayments, given their tendency to live beyond their means. They felt a mortgage on a part-interest-only and part-repayment basis would have been more suitable.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not upholding it.

KRM had to recommend a mortgage that suited Mr and Mrs P's needs, and I think it did that. The fact find it completed in 2008 said Mr and Mrs P were: *"looking to clear loans & credit cards with re-mortgage proceeds"*. The document also said they: *"are happy paying Int. Only for a few years to help pay off debt & will make overpayments each month to reduce the balance once all debt paid off"*. Mr and Mrs P signed the fact find.

I think it's clear Mr and Mrs P wanted to clear their unsecured debts with the new mortgage – as they had done before. When they approached KRM, they were paying more than £650 a month towards those debts and more than £1,000 to their mortgage, on a joint monthly net income of just over £2,000. That left them with little disposable income each month.

The new mortgage payments were just under £800 a month. So the re-mortgage meant Mr and Mrs P's monthly outgoings were significantly lower.

I can see why Mr and Mrs P's solicitors have argued that moving the mortgage from a capital and interest repayment basis to an interest-only basis was inappropriate. But KRM's records satisfy me that KRM didn't recommend Mr and Mrs P take the new mortgage on an interest-only basis.

KRM produced several key facts illustrations for Mr and Mrs P. Most of them were for capital and interest repayment mortgages. And KRM wrote to Mr and Mrs P with the reasons for its mortgage recommendation in January 2009. It said: *"I have recommended that you take a capital and interest mortgage, however, to make the mortgage more affordable to you at the moment you have chosen Interest Only and will make overpayments monthly"*.

I think Mr and Mrs P chose to switch to interest-only to keep their monthly payments as low as possible. And given what KRM's January 2009 letter says, as set out above, I don't think they did so on the advice of KRM.

I see no real reason why Mr and Mrs P might have been unable to afford to make overpayments once their re-mortgage had completed. I don't think it was for KRM to predict whether they would make extra payments, or whether they might choose to spend their money on other things.

Mr and Mrs P's solicitors say KRM should have looked at mortgages payable on a part-interest-only and part-capital and interest repayment basis. I don't agree, given that I'm satisfied it actually recommended Mr and Mrs P take the mortgage on a full repayment basis.

The re-mortgage reduced Mr and Mrs P's monthly outgoings. It also repaid their existing unsecured debts – which is what the available documents say they wanted. And I think the documents KRM gave Mr and Mrs P were clear that they would be paying the mortgage on an interest-only basis, and would need to make overpayments to reduce the debt.

I'm satisfied that KRM recommended an option which met Mr and Mrs P's needs at the time, and explained its reasons. So I don't think its advice was wrong.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 31 August 2017.

Janet Millington
ombudsman