

Complaint

Mr and Mrs L complain that Cheltenham & Gloucester Plc mis-sold a mortgage to them. They ask to be put in the position they would have been in had they not taken out the mortgage. Mr and Mrs L are represented by Z.

background

Mr and Mrs L took out a mortgage with C&G in 2007 in order to repay unsecured debt. Z says C&G did not properly explain the implications of taking out the mortgage or issue required documentation. It says C&G missold the mortgage as:

- C&G should not have advised Mr and Mrs L to consolidate unsecured debt into high risk secured debt.
- Mr and Mrs L incurred additional interest costs as the mortgage was repaid over a longer term than the debt it replaced.
- The mortgage term extends beyond the age of 70 years.

The adjudicator did not recommend that the complaint should be upheld. He said he was not persuaded the mortgage was unsuitable or that Mr and Mrs L lost out as a result of taking out the mortgage. He said:

- The fact find showed that Mr and Mrs L had significant unsecured debt with a high monthly repayment amount. They wanted to find out about consolidating the debt to reduce their monthly outgoings.
- C&G's recommendation that Mr and Mrs L consolidate their debt was in line with their requirements.
- The mortgage had a 10 year term. Based on their financial situation, he was not persuaded they could have repaid their unsecured debt sooner.
- The consolidation meant that Mr and Mrs L's monthly debt payments reduced by about £300 per month. They could have used this to reduce their mortgage balance.
- While the 10 year term extended beyond Mr L's 70th birthday, the application form said he intended to keep working.
- Taking out the mortgage meant that Mr and Mrs L reduced their monthly outgoings and at the end of the mortgage term it would be repaid.

Mr and Mrs L did not agree. On their behalf Z said the mortgage was missold. C&G should not have advised Mr and Mrs L to take out a mortgage after they had repaid their previous mortgage.

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 (as some of it is here), 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.

C&G sold the mortgage on an advised basis. So, under the rules set out in the Mortgage Conduct of Business sourcebook (MCOB), it had to obtain all relevant information and ensure any mortgage it recommended was suitable for the customer's needs and circumstances.

I am satisfied that C&G conducted an interview to establish Mr and Mrs L's circumstances. A fact find and application form were completed. While the documentation says Mr and Mrs L did not have payment difficulties and were not in arrears, they wanted to reduce their monthly payments. They asked for a fixed rate for as long as possible to provide certainty about their outgoings.

I am satisfied that C&G explained the implications of consolidating unsecured debt into a mortgage to Mr and Mrs L, including that they could lose their home if they did not maintain payments and that the overall cost would be greater if the debt was repaid over a longer term. The fact find says Mr and Mrs L confirmed they understood the implications of consolidating their unsecured debt. I am satisfied that the mortgage offer set out the total cost of the mortgage.

The consolidation reduced Mr and Mrs L's monthly debt payments by about £300 per month. The application form says a 10 year term was recommended to keep monthly payments within Mr and Mrs L's budget, so it seems likely they were concerned about maintaining the higher monthly payments for their unsecured debt. If this was not the case and the £300 per month was available to Mr and Mrs L, it would have been open to them to use it to reduce the mortgage balance and the overall cost of the mortgage.

The application form says Mr L intended to work to 75 – after the end of the 10 year mortgage term – and if this not possible both Mr and Mrs L would receive a state pension. The form also says they were looking into an equity release mortgage.

I am not persuaded from the available evidence that the mortgage, or the recommendation that Mr and Mrs L consolidate their unsecured debt, was unsuitable. I am satisfied that a fact find was carried out and that the mortgage met Mr and Mrs L's stated requirements. Mr and Mrs L have not said the mortgage was unaffordable or that they have difficulty making payments. I am also satisfied that C&G made Mr and Mrs L aware of the cost of the mortgage and the implications of consolidating unsecured debt.

I am not persuaded that the repayment of Mr and Mrs L's previous mortgage a few years before taking out this mortgage is relevant to whether this mortgage was mis-sold. Overall, I am not persuaded this mortgage was mis-sold.

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 L to accept or reject my decision before 4 December 2014.

Ruth Stevenson
ombudsman