

complaint

Mr P has complained about the mortgage advice he received from London and Country Mortgages Ltd ("L&C"). He says the recommended mortgage wasn't suitable and he wasn't given enough information to make an informed decision.

background

Mr P went to L&C for advice about re-mortgaging his home between 2013 and 2014. Following the advice he took a mortgage that had a fixed rate for 4 years.

Mr P's unhappy that he's been asked to pay "an early repayment charge" ("ERCs"), because he wanted to re-mortgage before the end of the fixed rate period. He says he wasn't told about the differences between the costs of having a fixed rate mortgage with ERCs and a variable rate interest mortgage. Mr P thinks L&C should've thought about this when making its recommendation – because he wanted a flexible mortgage and wanted to avoid having to pay extra if he moved home. Mr P thinks he would've made a different decision about which type of mortgage to take if he'd been told that the fixed rate could work out more expensive if he repaid the mortgage within the fixed term.

L&C says the mortgage advice it gave Mr P was based on what he'd told it. It's also said that it initially recommended a 2-year fixed rate mortgage. But Mr P requested a longer term and so, it doesn't think the advice was unsuitable.

An investigator at this service looked into Mr P's complaint. From what he'd seen he thought Mr P had been told about the ERCs. So he didn't think that L&C had acted unfairly towards Mr P.

Mr P didn't agree with the investigator's assessment, so his complaint's been passed to me for review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. This includes everything that Mr P's told us, as well as the information that's been given by L&C.

Based on everything I've seen in this case I'm not upholding Mr P's complaint. I know this isn't the answer Mr P is looking for. But I'll try to explain why I've reached this conclusion.

I can understand why – based on how things have turned out – Mr P feels the advice given to him might not have been suitable. But I can only look at the information at the time the advice was given – to decide whether or not L&C took appropriate steps to make sure its recommendations were suitable. To do so I've looked at all the records we've been given, along with what Mr P's told us about his circumstances.

The available evidence shows Mr P told L&C he was planning to move home within a few years of taking out the mortgage. And he's also said he wasn't too concerned about the potential for his repayments increasing under a variable rate mortgage – as he didn't think it was likely interest rates would increase by that much.

L&C's given us copies of internal notes – including some of the correspondence between it and Mr P. It's also given us a recording of a telephone conversation between its representative and Mr P prior to him completing his application.

It seems like the conversation took place after Mr P contacted L&C to request quotes for a longer fixed term – having previously shown interest in a 2-year term. During the call, Mr P explains he'd seen news reports about potential rises in interest rates. Mr P also explained that he was thinking of buying a different property in a couple of years.

After this, there was a conversation about the different options Mr P had – with the potential cost implications in terms of fees and rate rises. And he was told that if he decided to move home he could look at porting his mortgage. At the end of this Mr P suggested that he'd be interested in the 5-year fix as it gave him more long term stability.

I also note in this call, the L&C representative did briefly mention options without ERCs – and suggested there'd been a conversation about these before. But the representative indicated that going for an option without ERCs would likely impact the interest rate.

The call was then followed up with a recommendation letter. In this letter there was some explanation of the differences between fixed and variable rate mortgages. This letter also explained why L&C was suggesting a fixed rate based on what Mr P had said. It also looks like Mr P was made aware of the potential for having to pay ERCs before the end of the fixed rate. This information was also included within the key facts, personal illustration document that was put together along with the recommendation.

I've thought very carefully about what Mr P's said about his situation at the time. I accept that Mr P told L&C he was looking for some flexibility in terms of moving home in a few years. But to me, it seems like the biggest factor in Mr P's decision was the risk of interest rates increasing. And his overriding need was for a mortgage product that gave him the security of certainty in payments. So based on everything I've seen I don't think the advice given by L&C was unsuitable for him.

I appreciate what Mr P's said about not being told about the potential difference in costs between the mortgage recommended (with ERCs) and a variable rate mortgage – if he repaid the mortgage in around 2 years from when it was taken. But I don't think it would be reasonable to expect the business to have done this based on the information it was given. It looks to me like the differences between variable rate and fixed rate mortgages were discussed and the potential cost of early repayment was explained.

But even if L&C had made it clearer that in some situations a variable rate might work out costing less money overall, I'm not persuaded Mr P would necessarily have made a different decision about the mortgage he took. That's because, from what I've seen, it seems that although he was potentially looking to move at some point, Mr P's main concern was keeping his repayments consistent – shown by the fact that he asked L&C for a longer fixed rate.

In all the circumstances, I'm satisfied the advice given by L&C was suitable.

my final decision

My final decision is that I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 April 2017.

Adam Williams
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