

## **complaint**

Mrs B's representative complains that she was mis-sold a mortgage by an authorised representative of Legal & General Partnership Services Limited ("L&G").

## **background**

L&G arranged a remortgage for Mrs B in 2005. The new mortgage was for around £78,000 over 19 years, and was on a fixed interest rate for the first ten years. It replaced a mortgage with another lender on a variable rate, with an outstanding balance of around £41,000 and ten years to run. Mrs B used the new mortgage to consolidate unsecured debts of around £20,000 and to raise new capital.

In 2013 Mrs B's representative complained to L&G that its advice had been unsuitable. L&G didn't uphold the complaint, so Mrs B's representative came to us. Our adjudicator thought L&G's advice had met Mrs B's requirements and so the complaint should not be upheld. Mrs B's representative has asked for an ombudsman to consider the complaint.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mrs B's representative has raised a range of issues in its complaint to L&G and its initial approach to us. Its most recent submission argues that:

- L&G should have advised Mrs B to use her previous lender, to save costs;
- L&G's advice to consolidate unsecured debts was unsuitable; and
- there was no good reason to extend the term of Mrs B's mortgage.

The new mortgage moved Mrs B onto an interest rate that was nearly two percentage points lower than the variable rate she was paying on her old mortgage. The rate was fixed for ten years. This was consistent with a 'mortgage record of suitability' L&G prepared for Mrs B, which said she wanted to limit her maximum mortgage payment.

### set-up costs

Mrs B's representative says she could have obtained a fixed rate from her previous lender, without the set-up costs of remortgaging. It says that including those costs, Mrs B will pay around £2,800 more over the first ten years of the new mortgage than she would have paid on her previous mortgage and on the existing debts that were added to the new mortgage, taken together.

Having considered the evidence I find that if Mrs B had moved to a fixed rate product with her previous lender, she would probably have incurred costs to do so. And I note the set-up costs cited by Mrs B's representative include a payment protection insurance premium and a charge for wills advice, which together total around £2,900. Neither of those was required to set up the new mortgage. So overall I find that the mortgage set-up costs arising from L&G's advice don't mean the advice was unsuitable.

### consolidation and term extension

By consolidating around £20,000 of unsecured debts and extending her mortgage term, Mrs B reduced the total monthly cost of her mortgage and other debts from around £1,050 to around £520. The downside was that the debts were to be repaid over a longer period, so overall Mrs B would pay more.

Mrs B's representative says she didn't want or need to consolidate debts, and points to a 'client review' prepared by L&G which showed "*she had a monthly surplus income of £899*". But that figure was based not just on Mrs B's income, but also that of her partner (who is now her husband). Mrs B's partner lived in the mortgaged property, but the old and new mortgages and the various unsecured debts were in Mrs B's name only. Before the remortgage, Mrs B's *own* monthly income seems to have been around £550 more than the cost of the debts for which she was responsible.

A 'client review' prepared by L&G said Mrs B and her partner had other monthly outgoings of around £1,100. The application for the new mortgage said Mrs B contributed around £400 of that, which would leave her with surplus income of £150.

Mrs B's representative notes that consolidating has extended the life of the unsecured debts considerably. One of the debts was due to be paid off in around 18 months, and two others in around three years. The representative says it isn't clear that the short term gain of consolidating *all* Mrs B's unsecured debts was worth the long term cost of extending their term so much. But I note that at the time of the remortgage, it seems Mrs B expected her partner's income to fall substantially within a year or so, which would probably have made it more difficult for Mrs B and her partner to cover all their outgoings.

So I find that in the circumstances it was reasonable for L&G to recommend consolidation, and so reduce Mrs B's payment obligations over the next few years, as long as the new mortgage term was appropriate to her circumstances. And the new term didn't exceed Mrs B's expected retirement date. So overall I don't find that the recent arguments of Mrs B's representative show the mortgage was unsuitable for her.

### other issues

I have also considered the other substantive points raised by Mrs B's representative in its complaints to L&G and to this service.

Mrs B's representative has said she didn't want to consolidate debt, raise capital or enter into a mortgage with an early repayment charge, and that she didn't understand the implications of L&G's advice. Having considered the documentary evidence I find that L&G set out its advice, and what it meant for Mrs B, in a way that she should reasonably have understood. And as I have said, I find that advice was not unsuitable in the circumstances.

Mrs B's representative quotes her as saying "*I have struggled to maintain payments to [the new lender] and have gone into arrears with them over several years*", and that she has had to take various steps to raise money to pay the mortgage following the fall in her partner's income. But since Mrs B's partner's income was expected to fall soon after the remortgage, it seems Mrs B's repayment problems would have been greater if she hadn't remortgaged.

Mrs B's representative says Mrs B was cold-called, but in the circumstances of this complaint I don't find that the way in which Mrs B was contacted is relevant to the suitability

of the advice she was later given. And Mrs B's representative says the mortgage advice should be seen in the context of the sale of payment protection insurance for the mortgage. But I understand the insurance has been complained about separately, so I don't need to consider L&G's advice on it in this complaint.

**my final decision**

For the reasons set out above, my final decision is not to uphold this complaint. I make no order or award against Legal & General Partnership Services Limited.

Tony Stafford  
**ombudsman**