Financial Ombudsman Service

complaint

Mr and Mrs N complain that The Mortgage Matters Partnership ("MMP") mis-sold a mortgage to them.

background

Mr and Mrs N had a mortgage. On the advice of MMP they re-mortgaged to a different lender and consolidated an unsecured loan and credit card debts into the new mortgage.

They say the new mortgage was unsuitable because:

- they paid set up costs to obtain it. The mortgage debt increased by some £17,000 and the interest rate was higher, but it cannot be shown that they were better off;

- consolidating the unsecured loan increased the total amount payable and they did not need to reduce their monthly payments.

They say there was no proper advice and they were not treated fairly. They are represented in this claim by a claims management company.

On their complaint to MMP it said their priorities had been to consolidate their current borrowings, to ensure payments remained fixed, ensuring stability, and to protect payments against unemployment. They wanted a long term fixed loan so as to achieve stability. Mr N had been made redundant and although new employment was found quickly, they had had to resort to their credit cards to meet day to day living costs.

A fixed rate for the term of the mortgage and consolidation of other debt to make initial monthly savings met their requirements and the recommendation was made on this basis. MMP had fully advised Mr and Mrs N of the implications of debt consolidation, both the additional costs involved and the possible consequences of securing a previously unsecured debt.

Mr N had told MMP that it had assisted him in the past and he would like it to assist him again. He also stated that he was looking to consolidate debt and arrange a fixed rate.

On Mr and Mrs N's complaint to this service the adjudicator considered that the complaint should succeed in part. The general nature of the advice fitted Mr and Mrs N's objectives. However, she thought the overall costs of adding one of the card debts to a ten year mortgage, given its balance, was not suitable advice. Because this card could potentially have been paid off after about a year, MMP should not have recommended that it be consolidated.

The adjudicator recommended that MMP compensate Mr and Mrs N for the difference between the amount they would have repaid if the card balance in question had remained outside the mortgage and the amount they had actually paid with the mortgage. MMP agreed to do this.

Mr and Mrs N requested review by an ombudsman. They had a monthly income surplus and were not stretched financially. They did not need to raise capital or reduce monthly payments.

my findings

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

The events complained of took place in 2008. During her meeting with Mr and Mrs N, the MMP adviser completed a “Personal Mortgage Review”, which was a record of their discussion. She left a copy with Mr and Mrs N, who signed a receipt saying:

> *“The information contained in this documentation is important and irrespective of the fact that I have discussed it with you in detail, I recommend that you read the content again at your earliest convenience.”*

Mr N had recently changed his employment and had had a period of reduced salary. During this period they had incurred debts on their credit cards. They told the adviser that Mr N had had to use the cards because of the reduced income and while waiting for wages to come through, but was now back to his full earnings and wanted to clear the card debts.

I don’t agree with Mr and Mrs N’s representative that the adjudicator’s view suggests Mr and Mrs N were struggling financially and that debt consolidation was suitable for this reason.

Rather, through Mr N having recently lost his job, Mr and Mrs N were aware of the need to meet their financial obligations and wanted their outgoings to be stable. They told the adviser they wished to fix their payments to ensure financial stability. At the time, interest rates were still high and Mr and Mrs N may have wanted a long term fixed rate product to provide certainty in the future.

I consider that overall, the recommendation was in line with Mr and Mrs N’s objectives of wanting to clear debts and have stable outgoings.

my final decision

My decision is that I uphold this complaint in part and order The Mortgage Matters Partnership to compensate Mr and Mrs N for the difference between the amount they would have repaid for the card balance remained outside the mortgage and the amount they have actually paid with the mortgage. This would be done by:

- calculating how much Mr and Mrs N have paid in repayments (both interest and capital) on consolidating the card in question to date;
- calculating the amount of that card debt which remains as part of the mortgage balance to date;
- calculating how much Mr and Mrs N would have paid towards that card had it remained separate from the mortgage (using their monthly repayments as detailed in the personal mortgage review);
- adding the first two figures and deducting the third, pay the balance to Mr and Mrs N.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs N to accept or reject my decision before 20 April 2015.

Edward Callaghan
ombudsman