

complaint

Mr and Mrs N complain that Asset Mortgage Solutions Ltd – a mortgage broker – recommended a mortgage that was unsuitable for them.

background

In 2007, the broker recommended that Mr and Mrs N take a further advance with their existing lender on an interest only basis. The reason for the borrowing was to repay existing unsecured debt.

Mr and Mrs N's representatives consider the advice given by the broker was unsuitable for them for a number of reasons, including:

- The broker did not gather enough information about the debts that were to be repaid.
- They were not given a suitability letter or an explanation of the potential consequences of securing previously unsecured debts.
- They were not given an illustration showing the cost of the mortgage without debt consolidation – and the cost will be higher overall as the debt is now on an interest only basis.
- An adverse/specialist lender was recommended even though they did not have any adverse credit at that time.
- The broker recommended a self-certification mortgage even though they could prove their income.
- The broker had breached the mortgage conduct of business (MCOB) rules.

The adjudicator did not recommend that the complaint should be upheld. He did not consider the mortgage was mis-sold by the broker.

Mr and Mrs N's representatives responded to re-emphasise their position that the broker had not acted in line with MCOB in assessing the suitability of debt consolidation or self-certification.

my findings

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

debt consolidation

Mr and Mrs N's objective was to reduce their outgoings. The mortgage achieved this, reducing their monthly outgoings by around £1,700. I am also satisfied that the broker gave Mr and Mrs N an explanation about the implications of consolidating debts and that the cost of the consolidated debt may be more expensive over the term of the mortgage.

In the circumstances of this complaint I don't consider the advice to consolidate was unreasonable. I consider it likely that Mr and Mrs N would have taken steps to consolidate

anyway because of the significant savings even if they had not received the advice from the broker.

self-certification

The fact find states that Mr N is 'self-employed/no accounts'. So it appears that proof of income was not readily available to him. The further advance was with Mr and Mrs N's existing lender and they had a good payment history – as their representative has pointed out, this is one of the examples given by MCOB where self-certification is suitable. I consider that a self-certification mortgage was suitable for Mr and Mrs N.

conclusion

For the avoidance of any doubt, I am satisfied that the broker had good reasons to consider that an interest only mortgage was suitable for Mr and Mrs N. In any case, it would appear that Mr and Mrs N were keen to complete on an interest only basis in line with their existing mortgage arrangements.

The mortgage offer does not state that it reflects past or present financial difficulties. I can't see that the broker recommended a 'sub-prime' mortgage to them and there is no evidence that a cheaper mortgage would have been available to them at the time. And there were early repayment charges if they repaid their existing mortgage and moved to a different lender. So I can see why the broker recommended a further advance with their existing lender.

After carefully considering everything Mr and Mrs N's representative has said and provided, I don't consider the mortgage recommended by the broker was unsuitable for them – and in the circumstances I consider they would have sought a similar arrangement even if the broker had not given them this advice.

my final decision

My final decision is that I do not uphold this complaint.

Ken Rose
ombudsman