complaint

Mr and Mrs S complain that the advice they received from an appointed representative of Legal & General Partnership Services Limited was unsuitable. In particular, they complain that the adviser:

- contacted them by making an unsolicited marketing call;
- did not properly consider the affordability of the recommendation;
- advised them to consolidate unsecured debts;
- recommended increasing the term of the mortgage;
- did not recommend the cheapest mortgage product available; and
- charged an excessive broker fee.

Mr and Mrs S are represented in this matter by a third party.

background

It appears the mortgage adviser contacted Mr and Mrs S in early 2007. The fact find completed in May 2007 sets out that Mr and Mrs S wanted to consolidate their debts, keep monthly payments to a minimum and have the flexibility to vary monthly payments or pay lump sums off the mortgage without penalty. The adviser recommended that Mr and Mrs S should remortgage to achieve their objectives.

Mr and Mrs S accepted the adviser's recommendation. They released around £6,000 of equity for home improvements and consolidated existing unsecured debts. Their monthly mortgage and loan payments were reduced from around £1,328 per month to around £1,032 per month. The mortgage offer set out that Mr and Mrs S were permitted to make overpayments without penalty.

In his recommendation, the mortgage adviser noted that Mr and Mrs S could set up the new mortgage with a 24 year term, in line with the remaining term on their existing mortgage, and that this should be affordable for them. However, he noted that Mr and Mrs S had said they wanted to extend the mortgage term to 25 years to keep their monthly payments lower. The recommendation explained that extending the term of the mortgage would increase the costs involved.

The adviser also explained the implications of consolidating existing unsecured debts. The suitability report set out that Mr and Mrs S wanted to proceed, despite the potential increase in cost over the longer term, because they felt that reducing their monthly outgoings would help them budget more effectively.

In 2014 Mr and Mrs S's representative contacted Legal & General Partnership Services to complain that the advice they had they had received in 2007 to remortgage was unsuitable.

Legal & General Partnership Services did not uphold Mr and Mrs S's complaint and said it was satisfied that the advice they had received was suitable for their personal and financial circumstances. Mr and Mrs S were not satisfied with Legal & General Partnership Services' response and their representative referred the complaint to this service.

Our adjudicator did not agree that Mr and Mrs S's complaint should be upheld. She said that based on the information Mr and Mrs S had provided to the adviser in 2007 she was of the view that the advice they received was suitable. She noted that Mr and Mrs S's representative had referred to what it considered to be breaches of the Conduct of Business Rules. She explained that this service does not regulate firms and that if Mr and Mrs S wanted to report what they felt were breaches of regulations, they should contact the Financial Conduct Authority.

Mr and Mrs S's representative did not accept our adjudicator's view and said it wanted their complaint to be determined by an ombudsman. It asked for two 'key issues', to be considered:

- debt consolidation; and
- the availability of a cheaper product.

my findings

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

I am mindful of all the points that Mr and Mrs S's representative has made and I have carefully considered its comments in relation to debt consolidation and the adviser's decision not to recommend the cheapest product available.

debt consolidation
Mr and Mrs S's representative has said that the advice to consolidate unsecured debts, and in particular a £10,000 unsecured loan that was due to end in 2012 was unsuitable and "*grotesque".* I have very carefully reviewed the advice Mr and Mrs S were given with regard to consolidating existing debts.

In the suitability report the adviser sent to Mr and Mrs S, under the heading 'debt consolidation' it set out:

"£30,618 of the loan amount I am recommending is for the purpose of consolidating existing liabilities. From the information you have provided, I have been able to determine that although the interest rate charged will be lower, the overall cost of repaying these liabilities is likely to increase as the term is longer. However, you have indicated that, regardless of the potential increase in overall cost, you wish to proceed with this arrangement because it will enable you to budget more effectively."

The adviser also set out the difference between the cost involved in consolidating the unsecured loans over a 25 year term and the cost if the debts were not consolidated.

As the adviser clearly set out the disadvantages and additional costs over the longer term if Mr and Mrs S consolidated their existing unsecured loans, I cannot fairly say that they were not fully informed about the implications of their decision to consolidate their debts. I am satisfied that Mr and Mrs S made an informed decision to proceed with debt consolidation.

I cannot agree that the adviser should have refused to allow Mr and Mrs S to consolidate their existing debts.

availability of a cheaper product

I have carefully considered all the points that Mr and Mrs S's representative has made in relation to the adviser's decision not to recommend the cheapest product available. There is no requirement on an adviser to recommend the cheapest product and advisers are entitled – and expected – to take other features of a product into account when considering the most suitable product for their customers' needs and preferences.

I appreciate the points that Mr and Mrs S's representative has made regarding the £1,000 cashback, but I must also consider that the 'Mortgage Preferences' recorded by the adviser in the recommendation report set out that Mr and Mrs S wanted a product that offered cash back.

I note that Mr and Mrs S's representative has said that by adding the mortgage fee *"… to the borrowing, our clients would have been able to realise"* a difference of over £1,100 between the mortgage fee on the product they selected and the lower fee on the cheapest product. I cannot agree with this as Mr and Mrs S did add the mortgage fees to the mortgage the adviser recommended - and received £1,000 cashback. They would not have received any cashback, regardless of whether they had added the mortgage fees to the mortgage if they had taken out the cheapest mortgage product available.

It is not in dispute that over the term of the fixed rate Mr and Mrs S would have saved more than £1,000 if the adviser had recommended the cheapest mortgage product – but this would not have met Mr and Mrs S's stated preference for a mortgage product that offered cashback.

Having carefully considered this matter I cannot agree that the mortgage product recommended was unsuitable, or that the adviser should have disregarded Mr and Mrs S's request for a mortgage product that offered cashback.

my final decision

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs S to accept or reject my decision before 26 March 2015.

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

Suzannah Stuart
ombudsman