

complaint

Mr S complains that he was mis-sold a mortgage by an appointed representative of Legal & General Partnership Services Limited (L&G).

background

L&G made a recommendation to Mr S for a remortgage over 16 years with a three year fixed interest product at 5.54%. He also consolidated into the new mortgage a 0% credit card debt and an unsecured loan at 5.9% with four years to run. Through his representative he acknowledges that the advice to consolidate the credit card was suitable but complains that the advice to consolidate the loan was unsuitable.

He says the loan had an interest rate only 0.41% higher than the new mortgage. This liability was maintainable alongside the new mortgage and consolidating it has unnecessarily increased the long-term cost of financing the loan.

Free legal services were offered but not recommended by L&G. So Mr S incurred unnecessary legal costs.

L&G says Mr S was making monthly payments of £125 towards the credit card and £126 for the loan. If he had maintained them separately to the mortgage his monthly mortgage payment would have been about £67 lower. The monthly cost of servicing the debt was £251, leaving him with increased outgoings of £184. As his disposable income at that time was only £148, he wouldn't have been able to maintain the debt separately to the new mortgage.

L&G offered to refund £388.64 for the legal costs and mortgage interest less the cashback received instead.

Our adjudicator didn't recommend upholding the consolidation complaint.

Taking off the loan amount from the overall borrowing and adding the hypothetical new reduced monthly mortgage payment figure to the existing monthly debt repayments, there was little left by way of an excess budget for it to be financially viable or meet with Mr S's objectives. In view of this and Mr S's needs and circumstances, she didn't think the advice to consolidate was wrong. There was an overall increase in costs, which L&G covered in its recommendation letter, but had the existing debts been kept as they were, the advice would not have met the objectives, and would potentially have put Mr S at risk in the event of unplanned expenses.

Mr S requested review by an ombudsman. The consolidation of the loan was unnecessary.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree with the adjudicator and her reasons.

Mr S may have had sufficient resources to cover his existing commitments and there appears to be no evidence of financial difficulty. But the loan was taken out for home improvements, and it wasn't inappropriate to secure this on the property in order to meet Mr S's objective of reducing monthly outgoings. As the adjudicator says, there would otherwise have been very little room for manoeuvre. Therefore I'm not persuaded that the adjudicator's view was wrong.

my final decision

My decision is that I don't uphold this complaint because I'm satisfied that Legal & General Partnership Services Limited has already offered compensation of £388.64 which is fair and reasonable. I leave it to Mr S to decide whether or not to accept this offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 April 2016.

Edward Callaghan
ombudsman