

## **complaint**

Mr L and Mrs N complain that advice to consolidate unsecured debt to their mortgage was unsuitable. The advice was given by an appointed representative of Legal & General Partnership Services Limited.

## **background**

Mr L and Mrs N took advice from L&G about their mortgage. Following the advice, they re-mortgaged, changing lender and consolidating some unsecured debt to the loan. Their representative now complains that that was unsuitable advice, because there wasn't any need to consolidate the debt and doing so made it more expensive.

Our adjudicator agreed, and recommended upholding the complaint. But L&G didn't agree. It said that Mr L and Mrs N were fully advised and decided to consolidate. It said that they wanted to make overpayments to the mortgage, and had they done so the long term additional costs of consolidation would have been avoided. Consolidating reduced their outgoings and reduced the interest rates on the debt, and the resulting savings could have been used to overpay the mortgage.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I agree debt consolidation wasn't suitable in this case. I can see – as L&G's adviser recorded at the time – that Mr L and Mrs N were meeting their commitments comfortably and had a large amount of disposable income each month. It's true that, according to their bank statements, much of that was spent, but it appears to have been on discretionary and lifestyle spending. The fact find also records that they had several thousand pounds in savings.

So Mr L and Mrs N were in a relatively comfortable position. They were easily meeting their obligations. They didn't have any pressing need to reduce their outgoings or make short term savings. I can't see that there was any immediate need to consolidate the debt, and nor can I see that it was a particular priority for Mr L and Mrs N.

L&G says that Mr L and Mrs N could have reduced or avoided the additional costs of consolidating by overpaying the mortgage. So they could. But there isn't any evidence that they were planning to do that, or that L&G advised them that they should at the time.

## **my final decision**

For the reasons I've given, my final decision is that I uphold this complaint and direct Legal & General Partnership Services Limited to:

- Calculate the amount Mr L and Mrs N have paid to date in servicing that part of their mortgage balance represented by the consolidated debt (A);
- Calculate how much of the consolidated debt remains outstanding on their mortgage balance (B);
- Calculate how much it would have cost them to repay that debt unconsolidated (C), assuming no further spending and constant monthly payments on the credit card;
- Calculate the difference between what the broker fee was and what it would have been had the debt not been consolidated (D);

- Calculate the interest charged on D at the mortgage rate from time to time between date of completion and date of settlement of this complaint (E);

Legal & General Partnership Services Limited should then pay to Mr L and Mrs N redress calculated as  $A + B - C + D + E$ .

Under the rules of the Financial Ombudsman Service, I am required to ask Mr L and Mrs N to accept or reject my decision before 21 September 2015.

Simon Pugh  
**ombudsman**