

complaint

Mrs B complains about the additional mortgage advance she arranged in 2010 with Lloyds Bank PLC (Lloyds). She believes that the mortgage was mis-sold to her and that she has been left worse off as a result.

background

In 2010 Mrs B went to her local branch of Lloyds to discuss her finances. Her husband, Mr B, was seriously ill and had been admitted to hospital. Mr and Mrs B were both concerned that their finances might suffer whilst he underwent treatment, and so Mrs B went to Lloyds for advice and to discuss repayment options for their existing borrowings.

Mr and Mrs B were sold a repayment mortgage for £22,000, repayable over eight years, to refinance unsecured credit card and overdraft borrowing. Around £4,500 of the credit card debt was in Mrs B's name, approximately £14,500 was in Mr B's name and an overdraft was on their joint account. Sadly, within weeks of the mortgage being arranged Mr B passed away.

Mrs B believes that Lloyds mis-sold the mortgage to her and that it has cost her more since her husband's death than would have been the case if she had not taken out the further advance. Mrs B would like to be put back in the position that she would have been in if she had not arranged the further advance in 2010.

Lloyds did not uphold the complaint and so Mrs B brought her complaint to this service where it was reviewed by one of our adjudicators. He considered that Lloyds gave Mr and Mrs B the option to consolidate unsecured debts and they would have saved money each month on interest as a result. And so, he was satisfied that this was appropriate for their circumstances at the time.

my provisional decision

I considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where there was dispute about what happened, I based my decision on the balance of probabilities – in other words, on what I considered was most likely to have happened in the light of the evidence and wider circumstances.

I issued a provisional decision in which I was of the view that I did not believe that the advice given by Lloyds was suitable for Mr and Mrs B *at the time it was given*.

suitability of advice given

Mrs B says she went into her branch to ask for a repayment holiday because she and Mr B were worried about managing their finances whilst Mr B was seriously ill. Her testimony, supported by medical evidence, is that Mr B was already acutely unwell at the time the advice was given and I am satisfied that Mrs B explained her husband's illness to an advisor at Lloyds.

I was of the view that the further advance provided to Mr and Mrs B was unsuitable in the context of their situation at the time. It was irregular that no mention was made of Mr B's health condition on the mortgage application and no assessment appears to have been made as to affordability for the borrowing in the event of Mr B's death.

Mr B was too unwell to come to the branch to sign the forms, and Mrs B was asked to take the forms to the hospital to obtain his signature. I was of the view that the background to Mr and Mrs B's circumstances should have made Lloyds question whether entering a long term secured credit agreement was appropriate for Mr B or Mrs B when he was so seriously ill.

There is disagreement as to whether Mr B was present at the time the advice was given. I am persuaded that Lloyds provided advice to Mrs B alone, and that Mr B wasn't present at the mortgage meetings. Mrs B's recollection of events is that she attended the branch alone and this is supported by the medical evidence provided by Mr B's consultant.

I didn't consider refinancing unsecured debts (such as credit cards and overdrafts) with a further advance at a lower interest rate to be bad advice in itself. However, when proposed in the wider circumstances of this case, I considered it poor advice. In the event of Mr B's death, his sole credit card debts would have been payable by his estate – not by his wife. If Mr B had no assets, other than his jointly-owned property, then these debts would have been written off. I understood that Mr B had no other assets. However due to the further advance refinancing these debts, Mr B's borrowings became rolled in with Mrs B's sole borrowing and the joint overdraft. As a result, Mrs B was still repaying these debts and this would have placed her under additional financial pressure at an already difficult time.

I was of the view that Lloyds should recalculate the further advance as if it had only provided £7,500 of additional borrowing to refinance Mrs B's unsecured debts and the joint overdraft. The mortgage account should be reworked as if the borrowing in Mr B's sole name had not been included in the loan amount. I understood this would mean that there are no further repayments to be made by Mrs B and that Lloyds would repay an amount back to her.

I was persuaded that this matter would have been very distressing for Mrs B and that she had endured considerable upset due to the poor advice given by Lloyds when she was at her most vulnerable. I was minded to direct Lloyds to pay £2,000 to Mrs B for the trouble that the poor advice provided has caused her, and for the significant emotional upset caused to her by the complaint handling process.

responses to my provisional decision

Mrs B and Lloyds Bank PLC accepted my provisional decision and so my provisional decision remains unchanged.

my final decision

My final decision is that I uphold Mrs B's complaint. I direct Lloyds Bank PLC to:

- Recalculate the mortgage account as if a loan of £7,500 had been provided in May 2010, rather than the £22,000 issued. Any overpayments by Mrs B should be repaid to her.
- Pay Mrs B £2,000 for the trouble and upset she has suffered through its poor advice and her subsequent complaint.

Emma Peters