

The complaint

Miss M complains that Evolution Lending Limited shouldn't have lent her money secured by a further charge on her property. Miss M would like Evolution to refund the interest she paid and remove any adverse credit information it registered.

What happened

Miss M took out a loan for £12,000.00 together with fees and interest in May 2016. The loan consolidated various debts Miss M had. Miss M says that it should have been obvious from her credit file that she was struggling with her finances, and that Evolution shouldn't have offered to lend her more money as it must have been obvious that she would have been unable to pay it back and she had a gambling problem.

Miss M says that this was irresponsible lending by Evolution as the loan was unaffordable. Our investigator's view was that Evolution had carried out all reasonable checks to confirm that the loan was affordable and didn't recommend that this complaint should be upheld. Miss M disagrees saying that complaints she made about irresponsible lending by other lenders have been upheld because of gambling transactions on her bank statements and can't understand why this one was treated differently.

What I've decided – and why

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

Miss M approached a broker about consolidating a number of debts and a debt consolidation secured loan was recommended for her by Evolution. Miss M says that the loan to her was irresponsible lending and I understand that she has been successful in a number of other complaints on that basis. I have examined this complaint on its own merits. Lenders have to meet regulatory obligations when making the loans, but the regulations can be different depending on the type of loan and indeed the date the loan is made. This was a loan secured on land made in May 2016 and the rules that apply - MCOB rules - differ from those for unsecured loans and indeed from loans secured on land made before March 2016.

So, when I look at what Evolution did, I have to look at whether Evolution complied with these rules and whether its lending was fair. These rules look to ensure that when a lender makes a loan that it is affordable. Secondly this was a loan made for the purpose of consolidating other loans and again I've looked at whether such a loan was suitable for Miss M's circumstances. Assessing whether a loan is affordable requires looking essentially at Miss M's income and expenditure and assessing whether she can pay the loan. Miss M had income of £76,500 and a possible bonus of £30,000. According to the P60 she had earnings of £118,589 in the previous year. The income and expenditure assessment showed Miss M to have a surplus of £716 per month and so £501 was available to repay the loan.

This loan wasn't to generate new money for her but to pay off existing debts of which Miss M had several including payday loans and credit cards. Evolution should have assessed

whether consolidating debts by way of a secured loan was suitable for Miss M. I note that there's a high APR on the secured loan and fees on top of the debts. But Miss M was paying higher APRs on several of her loans. I noted loans in the hundreds of % APR. According to the credit report, the loans that were to be consolidated required payments of about £1,000 per month and that was without paying anything off the credit cards. I would have thought that the consolidation gave Miss M the reasonable opportunity to deal with those debts by monthly payments of about £500 over the period of the 42 months of the loan. This loan would be secured but the problems that this might cause were highlighted to Miss M and she accepted the loan knowing that. So, I can't say that the recommendation was unsuitable nor, after listening to the sales call, that Miss M wasn't fully informed about the implications of agreeing to it.

Miss M says that because of her gambling that she should have been refused this loan. But from the bank statements I've seen, there is no obvious indication that it was gambling that was consuming her money. In addition, this loan wouldn't have enabled Miss M to gamble the money provided by the loan as it was used directly to pay off debts.

I'm sorry to learn that Miss M lost her job which meant that she was unable to maintain payments on this loan. But that indicates that when she took out the loan it was affordable, and it was losing her job which made it unaffordable. I'm sorry to learn of the circumstances that Miss M finds herself in. My role is to consider whether Evolution dealt fairly with Miss M when it made the loan in May 2016. I have to apply the rules relevant to this type of lending and to the circumstances of this particular case. As a result, I'm not persuaded that Evolution has done anything wrong and so I can't fairly uphold this complaint.

I note that whilst Miss M is in financial difficulties, Evolution has agreed not to charge additional interest or charges on the account, and I would remind the lender that it should be positive and sympathetic to Miss M. But for the reasons set out above I can't fairly uphold this complaint,

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 25 March 2021.

Gerard McManus
Ombudsman