

## The complaint

Mr B complains that Progressive Money Limited (“Progressive”) lent to him in an irresponsible manner.

## What happened

I issued a provisional decision regarding this complaint earlier this month. In that decision I explained why I didn’t think the complaint should be upheld. Both parties have received a copy of my provisional decision, but for clarity I provide an extract of my findings below. I said;

*Mr B was given a single loan by Progressive. He borrowed £1,100 in September 2015 and agreed to repay the loan in 36 monthly instalments. Part of the loan was used to repay some other borrowing. Towards the end of the loan term Mr B faced problems making his repayments and a balance remained outstanding when he made his complaint.*

*The rules and regulations at the time Progressive gave this loan to Mr B required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This assessment is sometimes referred to as an “affordability assessment” or “affordability check”.*

*The checks had to be “borrower” focused – so Progressive had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr B. In practice this meant that Progressive had to ensure that making the repayments wouldn’t cause Mr B undue difficulty or adverse consequences. In other words, it wasn’t enough for Progressive to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mr B.*

*Checks also had to be “proportionate” to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.*

*In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:*

- *the lower a customer’s income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);*
- *the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);*
- *the longer the period of time a borrower will be indebted for (reflecting the fact*

*that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).*

*There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Progressive did what it needed to before agreeing to lend to Mr B.*

*Progressive gathered some information from Mr B before it agreed the loan. It asked him for details of his income, and his normal expenditure. It checked his credit file to assess how much he was repaying to other creditors and how he'd managed his credit in the past. And it analysed copies of his bank statements to verify the information he'd provided about his expenditure and income.*

*Mr B was entering into a significant commitment with Progressive. He would need to make monthly repayments for a period of three years. So I think it was reasonable that Progressive wanted to gather, and independently check, some detailed information about Mr B's financial circumstances before it agreed to lend to him. I think that the checks Progressive did achieved that aim – I think the checks were proportionate.*

*But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to what those checks show. So I've looked at the information that Progressive gathered from its checks to determine whether it made a reasonable decision to lend to Mr B.*

*Mr B hadn't always managed his credit well. He had a number of defaults on his credit file from just over a year before. But it does seem those arrears had been cleared when he applied for the loan. Progressive says it was satisfied by the explanations that Mr B gave around the circumstances of the defaulted accounts. And it doesn't seem to me that Mr B's explanations should have left the lender with any significant concerns.*

*I've also listened to the call between Mr B and Progressive following his submission of his bank statements. Progressive had carefully analysed the transactions that were shown to ensure they fairly reflected the information Mr B had provided earlier about his income and expenditure. I am satisfied that following that call it was reasonable for Progressive to consider that Mr B had accurately described his normal financial circumstances.*

*As a condition of being approved for the loan, Progressive required Mr B to have cleared any outstanding short-term loans. His bank statements showed that one loan had been cleared. And Progressive used part of its loan to repay the other remaining short-term lender showing on Mr B's credit file. Progressive sought an assurance from Mr B that he didn't expect to borrow further after its loan had been provided.*

*Mr B's bank statements don't show evidence of serious financial problems such as regular unpaid transactions or escalating levels of overdraft or other debt. And I think that it was reasonable for Progressive to consider that Mr B had moved on from any problems he'd had managing his finances in the past. So I don't currently think that the proportionate checks done by Progressive should have led it to decline Mr B's loan application.*

*I've looked carefully at how Progressive responded to Mr B when he explained he*

*was facing problems managing his repayments. At that time the regulator would expect Progressive to take steps to ensure that Mr B was treated fairly, with forbearance and with due consideration. It provided firms with a number of examples of this sort of behaviour including the consideration of reducing or waiving future interest charges, allowing the payment of arrears to be deferred, or accepting token payments for a reasonable period of time.*

*It is my understanding that the regulator's guidance isn't intended to leave debts outstanding for an indefinite period of time. Instead the requirement for lenders to show forbearance and due consideration to consumers who are facing financial difficulties is to allow a reasonable period of breathing space for consumers, facing an unexpected fall in their disposable income, to review their options. I haven't seen anything that makes me think that Progressive treated Mr B unfairly at that time. I don't think it was required to remove any interest added to Mr B's account when the loan was first taken.*

*I have noted that Mr B faced some problems passing the security checks on one call with Progressive. It does seem that the agent misunderstood the information Mr B was providing. I have seen that Progressive offered a token gesture to Mr B in respect of those problems. Progressive says that offer remains open to Mr B if he wishes to accept it.*

*I appreciate how disappointing my decision will be for Mr B. But, in summary, I think the checks Progressive did before agreeing this loan were proportionate. And I don't think the information shown by the checks should have led to the loan request being declined. So I don't currently think this complaint should be upheld.*

I invited both parties to let me have any further comments and evidence. Progressive hasn't provided us with anything further. Mr B provided us with some comments. Although I am only summarising here what Mr B has said, I have considered his entire response carefully before writing this decision.

Mr B expressed concerns about my impartiality as an ombudsman given my prior employment history. He was unhappy that the conclusion I reached was different to that of our adjudicator. He considers that my decision was based on mostly unsubstantiated evidence that should have been made available to the adjudicator rather than after his assessment had been issued.

Mr B says that he faced serious financial problems very shortly after the loan had been taken. He says that was a clear indicator that the checks Progressive did were ineffective and that the loan wasn't affordable for him from the outset. In particular he has highlighted that a check of his credit file would have showed a lot of activity with other loan companies and a number of defaults. He thought those should have been a "red flag" to the lender.

Mr B is concerned that I have based some of my findings on recordings of phone calls he had with the lender. He says that it is possible that Progressive only sent, or that I only used, phone calls that would support the lenders case. He thinks the phone calls should be treated as inadmissible.

Mr B points out that the loan from Progressive didn't clear most of his other debt. He says that he had credit cards, a store card, short term loans and long-term loans that were left for him to repay. And he thinks the existence of these other credit accounts should have led Progressive to decline his loan application.

Mr B says that he suffered from a serious episode of ill health in 2016. That resulted in a significant decrease in his normal income. He says that at that time Progressive harassed him for payment and unreasonably refused his request for a repayment holiday. He says the minimum he would now accept to resolve his complaint would be for his outstanding balance to be written off.

### **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.

Having looked again at the evidence provided by both parties, and the additional comments provided by Mr B, I am not persuaded that I should change my provisional conclusions. But I think it right that I provide some further commentary on the points that have been raised by Mr B.

All ombudsmen are approved by our board of non-executive directors, who are required by law to appoint ombudsmen who have appropriate qualifications and experience – and they appoint ombudsman on terms that ensure their independence. But it is also important that ombudsmen themselves consider whether any particular complaint might cause them to face a conflict of interest, whether in relation to the consumer, the business, or the subject matter of the complaint. That is something that I would do routinely on every complaint. And having done so here I am entirely satisfied that this complaint doesn't present me with any difficulties in that regard.

To ensure fairness we have a two stage complaints investigation process. The first stage is where an adjudicator investigates the matter and issues their opinion on what they think is a fair and reasonable way of resolving the matter. This is the informal part of our process and most cases are resolved at this stage. But if one or both parties are unhappy with the opinion, they can ask for an ombudsman's decision. The ombudsman's final decision is the second, formal and final stage of our complaint investigation process. And here, since I did not agree with the conclusions our adjudicator reached, I issued a provisional decision, to allow both parties a further opportunity to comment.

In deciding a complaint I am required to reach my decision on the basis of what I think is fair and reasonable. But that also means that I am not constricted by the same rules of evidence that might be applicable in a Court setting. Instead I will decide what weight it is appropriate to place on any evidence that is provided by either party, or discovered through my own investigations. It is for an ombudsman to decide what evidence he should consider.

It is clear that Mr B considers his financial circumstances to have been far worse than he described to Progressive when he asked for the loan. It is not unusual for a consumer to "sugar-coat" their financial situation when applying to a lender. And so it is right that a lender should be expected to undertake proportionate checks to, in some cases, independently verify the information a consumer provided. But it is also reasonable to conclude that at times even the most thorough of checks might not identify the underlying issues that a consumer is facing.

When Mr B applied for the loan, Progressive did check his credit file. Here it is worth noting that generally, the information a consumer might see, when they request a copy of their credit file, might be very different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So Progressive supplemented its check by discussing its results with Mr B. And so I think it was reasonable that it placed some weight on the answers he gave when it considered what was showing on his credit file.

Progressive identified that Mr B had two active credit card accounts. Mr B explained that these had been opened as an emergency buffer, and that they were cheaper than a payday loan. He said he was repaying far more than the minimum payment each month. It identified that he had two larger loans outstanding. Mr B said the initial loan had been opened to start some home improvements around a year before. And he said the second loan was to help set his son up in preparation for him going to university. That was also the reason he gave for the payday loans that had been opened in the previous months.

The credit check also identified that some accounts had been defaulted just over a year before. Mr B is absolutely correct that defaults should normally act as a “red flag” to a lender. They often show that a consumer is facing, or has previously faced, fairly significant problems managing their money. But Progressive says it asked Mr B about those defaults and he explained they arose as a result of disputes with the firms, rather than as a result of any financial difficulties. I don't think that explanation was implausible and so it was reasonable for Progressive to rely on what Mr B said.

The amount of the loan that was actually paid to Mr B was reduced, as part of the principal was used by Progressive to repay the only open payday loan it had identified. And it asked Mr B a very specific question about whether he had any other short-term loans open that its checks hadn't identified. That was responsible lending – since Progressive would have been aware that it might take some time for a new loan to be added to a credit file. Mr B told Progressive that he had no other open short-term loans. Again I think it was reasonable for the lender to rely on what Mr B said.

So I don't think that the results of the credit checks Progressive did, or the analysis it performed of Mr B's bank statements, gave any concerns that he was facing financial problems and would be unable to meet what were relatively small repayments each month. I appreciate that Mr B says that he did in fact face financial problems relatively soon afterwards. But I don't think it would be reasonable to conclude those should have been apparent from what I still conclude were proportionate checks.

In March 2016 Mr B missed a repayment on his loan. Progressive contacted him about that missed payment. Mr B explained that around five weeks earlier he had suffered a very severe episode of ill-health. And as a result he had faced a shortfall in his income for around five weeks. But Mr B reassured Progressive that he was now back working full time and so he didn't expect any problems with his future repayments.

It doesn't seem to me that Progressive failed to offer him support at that time – and from the call I have listened to it doesn't seem that Mr B asked Progressive for, or was therefore refused, a repayment holiday. So I remain of the opinion that Progressive did all that it needed to when Mr B faced a short-term problem in repaying his loan.

I understand that my decision is disappointing for Mr B. But I think the checks Progressive did before agreeing the loan were proportionate. And those checks, together with the additional information Mr B supplied by phone, didn't suggest that his finances were under pressure. So I don't think it was unreasonable for Progressive to conclude the loan was likely to be affordable for Mr B. And I haven't seen anything that would lead me to conclude that Progressive failed to treat Mr B fairly when he faced problems repaying his loan in 2016.

### **My final decision**

For the reasons given above, and in my provisional decision, I don't uphold the complaint or make any award against Progressive Money Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 April 2021.

Paul Reilly  
**Ombudsman**