DRN-2749624

The complaint

Miss G says Progressive Money Limited (PML) lent irresponsibly to her.

What happened

Miss G borrowed £6,000 from PML on 31 March 2016. She repaid the loan in April 2018. The monthly repayment was £327.71 and the total repayable was £11,797.60.

Miss G says the loan was not affordable for her, she had a gambling problem and was struggling to repay existing debts at the time. When her circumstances changed and she was couldn't make her full repayments Miss G says PML were not sympathetic and pushed her to clear her arrears, despite her being in a debt management plan by this stage. She had to borrow to do this.

The adjudicator didn't recommend Miss G's complaint should be upheld. He said, in summary, PML carried out proportionate checks; made a fair lending decision; and the revised repayments it asked for to clear the arrears seemed affordable based on updated income and expenditure data provided by Miss G.

Miss G disagreed. She said the lending was irresponsible as there was evidence her finances were unstable, and the request to increase her repayments to clear her arrears whilst in a debt management plan was unfair and caused her further hardship.

As no agreement was reached the complaint was passed to me for a decision. I reached a different conclusion to the adjudicator, so I issued a provisional decision (an extract follows and forms part of this final decision) and asked both parties to respond with any comments or new evidence by 13 April 2021.

Extract from my provisional decision

PML asked for some information from Miss G before it approved her loan. It asked for details of her income and verified this with copies of her last three payslips. It asked about her normal monthly living costs, explaining that it would take into account the total of her priority bills despite her splitting these with her mum. It also checked Miss G's credit file to understand her existing monthly credit commitments and credit history. It asked her for background information on all of the adverse entries. It also asked for copies of her bank statements to verify her living costs, explain that it needed the last three months as she had disclosed some gambling transactions in her monthly expenditure. Following receipt of the bank statements it queried certain transactions with Miss G. It also asked for details of the payday loans and credit card debt Miss G was planning to repay as she'd explained the purpose of the loan was debt consolidation. From these checks combined PML concluded Miss G had enough monthly disposable income to afford to repay the loan.

I'm minded to conclude these checks were proportionate. But I am not satisfied PML adequately responded to the information it had gathered. From Miss G's credit file it could see that Miss G had relied heavily on payday loans over the last 12 months, and beyond. In just the eight weeks prior to this application she had six payday loans, each only *active on average for eight days. I know that this loan was to allow her to repay the existing payday loans and some credit card debt (£5325.63) but that was less than half of her unsecured debt at the time. And PNL knew that she had just borrowed £10,000 the previous month, around a third of which was used to consolidate existing debt. So I think there were clear indications on the credit file that Miss G was having problems managing her money. PML did ask Miss G if she was going to stop using payday loans but I'm not persuaded her verbal assurance should have been used in its decision making.*

In addition, Miss G's credit file showed she had three current accounts. PML queried this. She explained one was the main account her salary was paid into, one was a joint account with her mum that was barely used, and one was an account she used to keep her payday lending separate. I note she said on the first application call of 16 March 2016 she wanted to close that one down. The bank statements PML received (for the main account) showed there were a number of large transfers between her main account and her 'payday' account. I accept that it asked about these transactions and did request a statement for the second account, which Miss G had closed on 18 March 2016. However it later accepted her reply that she couldn't get one and could only provide a letter confirming the account was now closed with a nominal credit balance remaining.

Given the high value of transfers (over £9500) from her main account to other account(s) in her name in the four weeks before her application I think PML ought to have been concerned that it did not fully understand Miss G's finances, and so it wouldn't be fair or responsible to lend based on the information it had. I think it was clear it did not have a complete picture of how Miss G was managing her money, and how financially stable (or otherwise) she was. It needed to be sure Miss G could afford to sustainably repay the loan for three years. And it seemed to accept her explanation that the second account was for payday loans, without any attempt to understand why she had needed to transfer out so much money, or to reconcile this with what it understood her monthly repayments to payday lenders to be at that time. Overall, I don't think it was fair for PML to go ahead and lend on the basis on the information it had.

As our adjudicator referenced, any further investigation into Miss G finances would likely have shown that she was spending significantly in excess of her monthly income on gambling. And that was funded from her 'payday' account. So it would have realised that she was highly unlikely to be able to make her loan repayments without experiencing significant adverse consequences – and this is what it was required to do as CONC 5.3.1G states:

1. In making the creditworthiness assessment or the assessment required …, a firm should take into account more than assessing the customer's ability to repay the credit.

2. The creditworthiness assessment and the assessment required … should include the firm taking reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences.

So, in summary, I don't think PML made a fair lending decision using the information it had gathered when it gave Miss G her loan.

Did PML act unfairly or unreasonably towards Miss G in some other way?

I don't find that it did, I'll explain why. Miss G says PML were pushy and forceful on the call on 22 September 2017 when the parties were discussing increasing her repayments to clear her arrears and avoid litigation. She says it didn't listen when she explained her financial situation. I've listened to the call in full. Whilst I can understand that it was a stressful time for

Miss G given they were talking a charging order against the property she part-owned, I don't agree that PML's tone was inappropriate. I think the adviser was empathetic and explained Miss G's options in full to her. The suggested increase in repayments, versus the lower payment from her debt management plan (DMP), was calculated based on revised income and expenditure information Miss G provided on the call. And Miss G having a DMP doesn't oblige the lender not to pursue the debt further. So I can't fairly find PML did anything wrong in this regard.

However, as I currently think the loan should not have been given, PML needs to refund anything Miss G paid in excess of the capital she borrowed in any event.

I then set out what PML would need to do if I upheld the complaint.

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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

PML has not responded to my provisional decision. Miss G accepted the findings and outcome it set out.

As neither party has provided any new information or comments it follows I have no reason to depart from the findings or conclusion in my provisional decision.

It follows I am upholding Miss G's complaint.

Putting things right

I think it's fair and reasonable for Miss G to repay the capital that she borrowed, because she had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been provided to her.

So PML should:

- Remove all interest, fees and charges from the loan and treat all the payments Miss G made as payments towards the capital.
- If reworking Miss G's loan account results in her having effectively made payments above the original capital borrowed, then PML should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- Remove any adverse information recorded on Miss G's credit file in relation to the loan.

*HM Revenue & Customs requires PML to deduct tax from this interest. PML should give Miss G a certificate showing how much tax it's deducted, if she asks for one.

My final decision

I am upholding Miss G's complaint and Progressive Money Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 12 May 2021.

Rebecca Connelley
Ombudsman