

The complaint

Mr B has complained that Progressive Money Limited (“Progressive Money”) lent to him irresponsibly.

What happened

Mr B was given two loans by Progressive Money. The details of these loans are given below:

Loan	Date taken	Date repaid	instalments	amount	Repayments
1	25/04/2017	04/05/2018	36	£5890	£231.16
2	04/05/2018	21/11/2019	60	£16,890	£485.89

I issued a provisional decision on this complaint in May 2021. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Progressive Money on both occasions it lent to Mr B asked for information about his income and expenditure. It also requested payslips to verify his wages. Progressive Money acquired a credit report for Mr B and reviewed bank statements.

I think in the circumstances when it agreed to both of the loans, it would have been proportionate for Progressive Money to have done more to check Mr B’s regular expenditure, but I don’t need to draw any further conclusions about this. This is because, on balance, I don’t think Progressive Money made a fair lending decision for either loan and I will explain why.

Mr B asked for loan 1 on 25 April 2017 for £5890 and when he did this, he told them about his income and expenditure. His income was validated by payslips and when I see Progressive Money’s income and expenditure sheet I can see, on the face of it, he had sufficient income to be able to afford the loan from Progressive Money.

But the lender was aware from the credit check it had acquired that Mr B had a total balance of revolving credit in excess of £28,000 including seven open short-term loans taken out in quick succession within 4 months of his application for this loan.

I think Progressive Money focussed its calculation of whether the loan was affordable for Mr B on a pounds and pence basis. But as I’ve already explained, the lender was required to establish whether the borrower could sustainably meet his loan repayments – not just whether the loan payments were technically affordable. The loan payments being ‘affordable’ on this basis might be an indication a consumer could sustainably make their repayments. But it doesn’t automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulty – in particular without incurring or increasing problem indebtedness. The customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without

having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

Mr B had fairly recently taken several payday loans, was spent up to his limit on credit cards, had other unsecured loans open and yet still needed to borrow further. I think it would have been reasonable for Progressive Money to conclude that despite his income, Mr B was struggling to manage his finances.

I appreciate that Mr B had approached Progressive Money to consolidate some of the revolving credit listed in the credit search. The monthly repayment to Progressive Money was less than the monthly amount being paid to service them. But I think Progressive Money ought to have been aware from the information it had gathered that Mr B was finding it difficult to manage his existing debt levels. Given the level of outstanding debt, and the number of creditors, I think Progressive Money ought reasonably to have been aware that this partial debt consolidation was unlikely to help Mr B make sufficient inroads into his existing debt and in particular his remaining revolving debt balance.

Mr B's finances didn't improve when he asked for loan 2. Progressive Money could see that he had increased his reliance on short term lending and was told by Mr B that he was in a cycle of short-term lending debt that he couldn't get out of.

Taking matters as a whole, I think on balance that Progressive Money ought reasonably to have realised that Mr B was finding it difficult to get out from under his debt problems, and that it was unlikely that he would be able to sustainably repay either loan over the extended terms provided. I think in these particular circumstances; Progressive Money should reasonably have concluded that it was not appropriate to lend to him in 2017 or 2018.

Taking everything into account, I don't currently think Progressive Money should have agreed to provide either loan to Mr B. So, I am currently intending to uphold this complaint and direct Progressive Money to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision.

Mr B responded and accepted the decision. He has no further comments to make.

Progressive Money has provided a detailed response and although I have not included every point that it has made below, I have considered everything it has said carefully. I will summarise what I believe the most relevant points that it has made:

For loan 1:

- It describes in further detail, what it says were its affordability and sustainability checks. These it says included a fact find, credit search, pay slip verification and copies of Mr B's bank statements.
- It says Mr B was looking to consolidate his debts to make his financial situation more stable. Mr B's credit file did not detail any adverse credit or data.
- Mr B, during a phone call to Progressive Money, gave reasons why he obtained high cost credit and according to it, he says he didn't think he was in a payday loan cycle.

- It says he reduced his monthly credit commitments from £1000 to around £231.
- It makes references to other customers complaints that our service has looked at that it thinks are relevant to this complaint. It says customers having payday loans or a high level of outstanding credit should not be the only deciding factor when making a decision in a loan application.

For loan 2:

- It gave the same list of checks that it says it carried out for loan 2 as it did for the first loan.
- It says Mr B told it during a phone call that he had got into a cycle of debt with pay day loans and wanted to use the loan to settle them.
- It made observations about how the results from Mr B's credit search had improved and there was no evidence of adverse credit data either.
- Overall it didn't think it did anything wrong when it agreed to lend to Mr B on either occasion.

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.

The submission from Progressive Money hasn't persuaded me that I should change my provisional decision.

I have already explained this in my provisional decision, but I think it is worth reiterating again that the lender was required to establish whether the borrowers could *sustainably* meet their loan repayments –not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

Mr B had fairly recently taken payday loans, spent up to his limit on several credit cards, had open unsecured loans to repay and yet he still needed to borrow further when he asked for loan 1. I thought it would have been reasonable for Progressive Money to conclude that despite his income, Mr B was already struggling to manage his finances. Further, the consolidation that Mr B was looking to make would only have covered a proportion of his debt. Given the level of outstanding loans and number of creditors, I think Progressive Money ought reasonably to have been aware that this partial consolidation was unlikely to help Mr B make sufficient inroad into his debt.

The search results within the credit report that Progressive Money had in front of it for loan 1, showed that Mr B had developed a reliance on short term lending. When I think about this and also what I have concluded about the amount of outstanding debt he had, I think Progressive Money ought to have seen that Mr B was on balance, having problems managing his finances and that he was in all likelihood unlikely to repay this loan in a sustainable way. On balance, I don't think Mr B's finances improved in any meaningful way when he applied for a larger second loan either.

Taking matters as a whole, I think on balance that Progressive Money ought reasonably to have realised that Mr S was finding it difficult to repay his existing credit commitments when he applied for loans 1 and 2. It was unlikely that he would be able to sustainably repay either loan over the extended terms provided. I think in these particular circumstances (from the credit information on his report); Progressive Money should reasonably have concluded that it was not appropriate to lend to him.

As I am upholding Mr B's complaint, I need to think about Progressive Money would need to do to put Mr B in a position he would have been in if it hadn't agreed to lend to him. He would still need to pay back the money that he had use of, but I would need consider amongst other things that interest and charges be taken off.

I have considered all of the points Progressive Money has made in its submission, and I do thank it for engaging with and responding to the findings of my provisional decision. But my findings and decision hasn't changed. So, it now needs to put things right.

Putting things right

I think it is fair and reasonable for Mr B to repay the principal amount that he borrowed, because he has had the benefit of that lending. But he has paid interest and charges on lending that shouldn't have been provided to him.

Progressive Money should:

- Remove all interest, fees and charges on loans 1-2 and treat all the payments Mr B made as payments towards the capital.
- If reworking Mr B's loan accounts result in him having effectively made payments above the original capital borrowed, then Progressive Money should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Remove any adverse information recorded on Mr B's credit file in relation to the loans.

*HM Revenue & Customs requires Progressive Money to deduct tax from this interest. Progressive Money should give Mr B a certificate showing how much tax it's deducted, if he asks for one.

My final decision

My final decision is that I uphold Mr B's complaint and direct Progressive Money Limited to pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 September 2021.

Mark Richardson
Ombudsman