

The complaint

Mr M says Progressive Money Limited irresponsibly lent to him when it provided an unaffordable loan.

What happened

Progressive provided the following loan to Mr M:

Date loan taken	Loan amount	Scheduled term	Monthly repayment	Total amount repayable	Loan status
8.11.2018	£5,000	60 months	£179.85	£10,791.20	Active

When Mr M complained to Progressive it didn't uphold his complaint so he brought his complaint to us. One of our adjudicators looked at the complaint and didn't think that Progressive had done anything wrong when it provided the loan. Our adjudicator explained why he was recommending that the complaint shouldn't be upheld.

Mr M disagreed with our adjudicator's view. He mainly said that irrespective of what he'd verbally disclosed to Progressive, it should have been apparent that this loan was unaffordable given his debt to income ratio which was evident from his credit file and his financial situation as shown on his bank statements and other supporting information provided. Mr M asked for an ombudsman to review his complaint so it comes to me to decide.

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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint. I'd like to reassure Mr M that I've looked at the complaint afresh and independently reviewed all the available information, including what Mr M said in response to our adjudicator's view. Having done so, I am not upholding Mr M's complaint for broadly the same reasons as our adjudicator. I'll explain my reasons.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

When Mr M applied for this loan, Progressive asked him for information about his finances and carried out a credit check. I've carefully listened to the call recording of Mr M's discussion with Progressive when it gathered information about his income and expenditure. I think it's fair to say this was a detailed and lengthy discussion over the course of an hour or so. Progressive pressed Mr M for specific details about exactly what the loans it saw in his credit history had been taken out for and how he spent his money.

Progressive subsequently took steps to check what he'd said about his salary.

Taking all this into account, the figures Progressive recorded didn't suggest that Mr M would have any difficulty meeting the loan repayments for this loan. It looked like Mr M should've had ample disposable income to cover the £179.85 instalment he had signed up to pay each month.

The credit checks Progressive carried out showed that Mr M wasn't involved in any sort of arrangement with creditors and bankruptcy wasn't flagged up. He had no active county court judgements registered and no record of any recent defaults on his record. Mr M's debt to income ratio was shown as 90% - which I think a lender might reasonably assume showed that he had available unused credit. Mr M says Progressive should've known he was in financial difficulties at the time it lent to him and he's sent us more information to support what he says. But I think that the information Progressive had gathered tended to suggest that Mr M seemed to be managing his credit without any signs that he had a serious debt problem. Whilst the credit checks Progressive obtained showed that Mr M made significant use of credit, it wouldn't be unusual for someone applying for this type of lending to have other debt – and sometimes even an impaired credit history. These wouldn't necessarily be fair reasons not to lend.

And having listened to Mr M's detailed and plausible explanations about his borrowing, I don't think the amount of debt shown on Mr M's credit checks was excessive having regard to the fact that he said he'd recently bought and moved into a bigger, more expensive house, he'd had the extra costs of a new baby and he and his partner had bought a second car.

I've thought carefully about what Mr M told Progressive about his spending on gambling. I think Progressive was rightly concerned that if Mr M was spending excessively on gambling, this would mean it shouldn't lend to him. But Mr M very clearly explained that the gambling that Progressive would see on his bank statements was essentially something he and his work colleagues engaged in from time to time when working away from home on well paid jobs earning up to £400 per day. He said the total monthly spend wasn't ever more than about £500.

I'd expect Progressive to decide Mr M's lending application based on the information it was reasonably entitled to rely on at the time. When a lender carries out a credit search, the information it sees doesn't usually provide the same level of detail that a person's own credit search will. And it isn't necessarily up to date – that can depend on when other creditors have reported information and when it's been recorded by the credit reference agency. A lender might only see a small portion of a borrower's credit file, or some information might be missing or anonymised. I'm also aware that not all payday and short term lenders report to

the same credit reference agencies. This means that information Mr M might see on his own credit check, may not have been identified by a credit check done by Progressive when he applied for this loan.

I don't think it was unreasonable for Progressive to lend here – especially as there wasn't anything obvious, in the information it had, to suggest Mr M wouldn't be able to repay the loan in a sustainable way. And I don't think proportionate checks would've required Progressive to probe any more deeply into Mr M's finances or ask Mr M to prove what he was declaring or check other information sources to verify what he had told them (or omitted to say) about his financial circumstances.

I don't think Progressive had any reason to think that Mr M wouldn't be able to sustainably repay the loan and it went ahead only when it had provided information explaining the main loan costs and Mr M said he wanted to proceed. I'm very sorry that Mr M has an ongoing problem with debt and that repaying this loan has proved difficult for him. I accept that Mr M's actual circumstances possibly weren't fully reflected either in the information he provided, or the other information Progressive obtained. But in order to uphold this complaint I have to be able to say a lender did something wrong. In this case, I don't think that Progressive did anything wrong in deciding to lend this loan to Mr M.

I expect Progressive to work with Mr M and to treat him positively and sympathetically if he is continuing to experience financial difficulty. I would encourage Mr M to provide full details of his financial situation to Progressive if he still needs time to pay the outstanding balance on the loan. And if Mr M would like help to manage his finances there's more information about how to get free debt advice and other support on our website – or we can provide contact details if he gives us a call.

I appreciate that my decision will likely come as a disappointment to Mr M. But I hope my explanations help him understand why I've reached these conclusions.

My final decision

For the reasons given above, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 March 2022.

Susan Webb
Ombudsman