DRN-3248648

The complaint

Mr C complains that Progressive Money Limited (PML) lent him money on a high interest loan he was unable to afford to repay.

What happened

Mr C was provided with a loan by PML on 28 June 2018. This was for £7,000 repayable over 48 months at the rate of £263.75. He settled the loan in full in February 2019. The loan was taken out to repay an existing loan Mr C had with an associated company of PML. He also wished to consolidate other high cost debts to reduce his monthly expenditure and break the cycle of high-cost short term loans. He complained to PML that the loan was unaffordable to him.

PML said that before approving the loan it had a 40 minute telephone call with Mr C during the course of which it carried out:

- a detailed Fact Find to ascertain his needs, wants and personal circumstances including employment.

- A credit search completion with a full review of all relevant lines of credit.

- A detailed verbal Income and Expenditure review to assess affordability.

PML has supplied the relevant documents. It verified his income and also obtained from Mr C bank statements for 53 days for one account and for 76 days for another account.

It explained to Mr C in the course of the call that the loan he had was a secured loan whereas the proposed loan was unsecured, and was at a lower annual interest rate, albeit over a longer period. It assessed that after repayment of the debts and the new loan payment, he would have a disposable income of around £350 a month. It believed the loan was affordable.

Our adjudicator said that the checks carried out by PML were proportionate. He said that taking into account what PML would've seen at the point of sale, he thought it had done everything we would've reasonably expected it to do when it came to make a fair lending decision.

Mr C didn't agree, pointing out that the previous loan he had was with effectively the same company and that the loan was taken out to pay off that loan rather than offer him any help with that loan. He also pointed out that at the time he was in a state of desperation and had extreme gambling problems which this loan only added to.

The matter has been passed to me for further consideration.

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 general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did PML complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the loan in a sustainable way?

- If not, would those checks have shown that Mr C would have been able to do so?

The rules and regulations in place required PML to carry out a reasonable and proportionate assessment of Mr C's ability to make the repayments under the agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focussed" – so PML had to think about whether repaying the loan would be sustainable. In practice this meant that PML had to ensure that making the repayments on the loan wouldn't cause Mr C undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

In other words, it wasn't enough for PML to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Mr C**.** 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. Even for the same customer, a proportionate check could look different for different applications. I think that such a check ought generally to have been *more* thorough:

- The *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income).

- The *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).

- The *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

The loan was for a substantial amount, payable over a long period. I think that PML needed to carry out a thorough assessment of Mr C's financial circumstances.

The loan was taken out so that Mr C could pay off his high interest loans. He did say that he wanted some money for home improvements. However as it transpired, the whole loan was used for debt consolidation. To pay off the previous loan cost £3,045 and three other loans were repaid, including one for over £3,400.

Mr C mentioned a county court judgment in his application, for which he was paying £25 a month. This appears on his record as a loan that was in default for which there was a balance left of around £1,020.

However with the consolidation of the loans, I can't see any other credit on Mr C's record, so PML's assessment of the amount of disposable income Mr C had seems to have been accurate.

Turning to Mr C's point that PML and the company issuing the previous loan were owned by the same company, in the telephone application PML was up front about this – explaining that to grant the loan he would have to pay off the old loan and reduce the overall monthly payments and Mr C appeared to understand that. The rate of interest was high (26.8% APR), but not excessive and not in breach of any rules.

Mr C advises us that he had a gambling problem and said that PML took advantage of that rather than helping him. I see PML reviewed his bank statements. Those bank statements don't in my view show anything of particular concern. Mr C did go overdrawn but he wasn't permanently in overdraft, not did the overdraft increase. As for gambling, there were three or four gambling transactions, but not something that would in my view raise any alarm.

I have noted that Mr P has sent us some bank statements from after the time the loan was issued so not seen by PML at the time of the application. Those statements do show substantial gambling transactions which had they been on his accounts before the loan might have caused serious concern. I would observe that Mr P only raised the issue with us. However in deciding whether PML acted responsibly, I can only look at the information it had at the time of the loan being applied for. In respect of that, I think its checks were proportionate and didn't raise any issues of concern that the loan might not be affordable. And that it made a fair lending decision.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 18 April 2022.

Ray Lawley
Ombudsman