DRN-3322452

The complaint

Mr S says Progressive Money Limited (PML) irresponsibly lent to him. Mr S says that it wasn't made clear to him how much the loan he took would cost. He also says that PML didn't look into his finances in a reasonable way. If it had done it would've seen that he couldn't afford the loan repayments and not lent to him.

What happened

This complaint is about one loan PML provided to Mr S in June 2018. Mr S borrowed £5,000. He was due to make 108 monthly repayments of £197.67. He would pay a total of £21,348.44 to the loan over the nine year term.

Our adjudicator upheld Mr S' complaint as she thought Mr S shouldn't have been given the loan. This was because she thought that Mr S already had a large amount of credit and the repayments to all of this were likely to be too much overall.

PML disagreed with the adjudicator, it said that:

- It didn't provide advice to Mr S before he started the loan.
- It did perform a detailed investigation of his circumstances to see if the loan was affordable for him.
- This investigation showed that Mr S could afford the loan on a day to day basis, particularly as his partner helped with the bills, and he wasn't having significant current problems repaying his existing debts.
- There were plausible reasons for the recent defaults, and other repayment problems, he'd had.

As no agreement has been reached the complaint was passed to me, an ombudsman, to issue a decision.

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 of the relevant rules, guidance and good industry practice - on our website.

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

- Did PML, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr S would be able to repay in a sustainable way? If not, would those checks have shown that Mr S would've been able to do so?
- Did PML act unfairly or unreasonably in some other way?

If I determine that PML did not act fairly and reasonably in its dealings with Mr S and that as a result he lost out, I will go on to consider what is fair compensation.

The rules and regulations in place required PML to carry out a reasonable and proportionate assessment of Mr S' ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check". PML doesn't have to give advice for this to apply.

The checks had to be "borrower" focused – so PML had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr S. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr S undue difficulty or significant adverse consequences.

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 doe Mr S. 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.

In light of this, I think that a reasonable and proportionate 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 of time 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).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr S' complaint.

PML has provided evidence to show that before lending the loan it asked Mr S about his income and expenditure in a series of phone calls. It also looked at some information from a credit reference agency and looked at his bank statements. Based on those checks PML thought it was fair to lend.

I've looked closely at the information PML had before lending. PML recorded that Mr S had an income of £1,900 per month. His general expenditure was recorded as being around £1,500 per month. This included his existing credit commitments of around £500. So, before the new loan repayments Mr S would have some spare income each month. But, I don't think he had a great deal left over, and as the term of the new loan was around 9 years. It's reasonable to say it was likely this would cause him problems as some point in the future.

It's been established that Mr S already had a large amount of other credit before he took this loan. Mr S had a mortgage. And he had other loans with balances of around £17,000. As far as I can see there was no loan consolidation proposed.

And there were already signs that Mr S was in financial difficulty in the information PML had. Some of the evidence of difficulty was historic. For example, Mr S had a number of unsatisfied county court judgements. Two of these were put in place in 2013 and two were from 2016, so they weren't recent to the start of this lending. But Mr S was still making repayments to them so they shouldn't be disregarded either.

And Mr S had recently taken a new hire purchase agreement for around £9,000. And he had opened five other new credit accounts in the last six months and one of these was now showing as delinquent. So, it also seems reasonable to say that the problems he'd had in the past hadn't really been resolved.

Much of this was discussed in the telephone calls Mr S had with PML. At one point Mr S explains that he had made arrangements with his recent creditors due to some payment problems. And as part of the complaint PML said that it found Mr S' explanations plausible about this. But leaving aside whether his explanations were plausible, he was clearly in some difficulty.

And I think PML recognised this as it discussed whether Mr S needed to take the loan with his partner or reduce the amount of bill payments Mr S was responsible for. I accept that this may reflect how things actually were for Mr S. But it doesn't really change what I think about Mr S' situation. Whatever Mr S' partner's contribution to the household expenditures may have been, it hadn't stopped Mr S having financial problems.

So overall, I've seen a picture here of someone who was in financial difficulties. And this was a significant commitment for a long time. So, I don't think that PML could say with any degree of confidence that Mr S could make the loan repayments sustainably. And I don't think it was responsible to lend.

I've also thought about whether PML acted unfairly in some other way and I haven't seen any evidence that it did.

But PML needs to put things right as I think it irresponsibly lent this loan.

Putting things right

PML should now:

- Remove all interest, fees and charges applied to the loan.
- Treat any payments made by Mr S as payments towards the capital amount of £5,000.
- If Mr S has paid more than the capital then any overpayments should be refunded to him with 8%* simple interest from the date they were paid to the date of settlement.
- But if there's still an outstanding balance, PML should come to a reasonable repayment plan with Mr S.
- Remove any adverse information about the loan from Mr S' credit file.

*HM Revenue & Customs requires PML to take off tax from this interest. PML must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I'm upholding Mr S' complaint. Progressive Money Limited should put things right for Mr S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 April 2022.

Andy Burlinson
Ombudsman