

The complaint

Mrs S complains that Progressive Money Limited irresponsibly (“PML”) lent to her when it was unaffordable.

She says the lending has caused her loss and to put things right, she wants a refund of the interest, fees and charges paid.

What happened

I issued a provisional decision on 22 November 2022 (excerpts in italics below) which contained a detailed background to the complained and explained why I was inclined to reach different conclusions to the adjudicator. I gave both parties the opportunity to provide further comments and evidence before I issued my final decision.

That provisional decision forms part of this final decision and should be read in conjunction with this final decision.

Both parties have now responded to my provisional decision. Mrs S’ representatives on her behalf accepted my provisional findings and had nothing further to add. PML disagreed and asked that I reconsider my provisional findings. In summary it said:

- I alleged that Mrs S was struggling to pay for food and essential bills but there was no evidence of this.
- It can’t be held liable for Mrs S’ financial conduct after it approved the loan and her conduct in fully repaying the loan suggests that the lending was sustainable.
- The recent loan Mrs S took didn’t show up on the credit search and even with that loan repayment Mrs S was only due to repay 26% of her income on credit monthly
- The loan was affordable on a pound and pence calculation and there was nothing to suggest Mrs S would struggle with the repayments over the term.

Excerpts of provisional findings

“PML has provided information to show that it searched Mrs S’ credit file, saw her payslips for the last two months and also her bank statements for three months before the loan. It also had phone conversations with Mrs S about her ability to afford the loan before lending to her. Mrs S was borrowing the loan for debt consolidation and I can see PML worked out which debts she’d consolidate and how much credit she’d still have to pay monthly. The loan was used to consolidate some of her larger debts. PML worked out that Mrs S consolidating some of her debt put her in a position to afford this loan repayments.

Mrs S provided a bank statement for an account she held jointly with her husband, she says this was their sole account. The statements confirm her income of around £2,400. I’m also mindful that the bank statements revealed a concerning trend, namely that Mrs S was borrowing from several lenders and struggling to repay to get herself out of debt. She was borrowing from one lender to repay another – the same thing she was doing with this PML loan she borrowed.

I can see that Mrs S was regularly borrowing and repaying lenders and even with the debt consolidation she was still due to pay a significant portion of her income towards credit

commitments. Mrs S had taken out a high cost credit loan earlier in the month this loan was given, that loan had a repayment amount of around £173 and Mrs S' other loan repayments including the repayment for this loan was around £721.

While on a pound and pence calculation, this loan may have looked affordable for Mrs S as the calculations suggests she had some disposable income, I think the wider context of the lending and the sustainability of the repayment throughout the term was concerning.

From looking at Mrs S' bank statements and credit file, it is clear to me that most of the credit on the statements were taken by her, she was actively struggling to manage her money and in need of borrowing further to survive, this was a pattern that continued even after she took out this loan as I can see she borrowed again from lenders she'd previously repaid with this loan. PML ought to have been aware of this and reacted to it, overall, I don't think it should have lent to Mrs S based on what it already knew about her."

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.

Having carefully reconsidered this complaint and taken into account PML's further comments and response to my provisional decision, I will be upholding Mrs S' complaint and I'll explain why below.

PML's duty as a responsible lender isn't just to consider the pounds and pence affordability of the loan and the likelihood of it getting its money back, its checks and lending decision needed to be customer focused. It needed to ensure that the repayment of the loan was sustainable for Mrs S over the term of the loan. It needed to satisfy itself that she could repay the loan without the customer needing to borrow to make the payments.

PML saw Mrs S' bank statements and it was obvious from those bank statements she was borrowing and repaying credit regularly, in fact this loan from PML was for debt consolidation but even this loan wasn't enough to repay all her other creditors. From what I can see, Mrs S was in a cycle of borrowing and repaying. And so even if she managed to fully repay this loan, I think there was enough evidence from what PML saw that it was unlikely she was going to be able to do this without further borrowing.

PML has said the loan she took out a few days before it approved this loan didn't show up on the credit file. I don't dispute this but PML has provided a copy of the bank statements it saw before lending and the credit from that lender is on the bank statement, so I'm satisfied that PML was aware of that recent loan.

I think that over a seven-year period, Mrs S making that percentage of her income towards unsecured credit was significant commitment in her particular circumstance. My provisional decision doesn't allege Mrs S was struggling to pay for food or essential bills, this isn't something I mentioned. My reasoning is based on the overall sustainability of the loan given Mrs S' circumstances. Mrs S was reliant on credit and while she appeared up to date, she was borrowing from one lender to repay the other that was a concern and shows the lending decision wasn't sustainable.

PML has lent when I think it shouldn't have and it needs to put things right.

Putting things right – what PML needs to do

- Refund all interest, fees and charges on the loan
- add 8% simple interest to the overpayments from the date they were paid to the date

of settlement†;

- remove any adverse information recorded on Mrs S' credit file as a result of this loan.
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†HM Revenue & Customs requires Progressive to take off tax from this interest. PML must give Mrs S a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I uphold Mrs S' complaint and direct Progressive Money Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 5 January 2023.

Oyetola Oduola
Ombudsman