

The complaint

Miss B, represented by a third party, complains that Progressive Money Limited was irresponsible in its lending to her.

What happened

Miss B was provided with a £5,000 loan by Progressive Money in February 2018. The loan term was 36 months with monthly repayments of around £280. Miss B says that at the time of the loan she had other debts and was overdrawn on her current account. She says the repayments were unaffordable and she has needed to take out more loans, including payday loans to meet her debts.

Progressive Money issued a final response letter to Miss B in November 2022 not upholding her complaint. It said that Miss B applied for a loan in February 2018 saying it was for home improvements and debt consolidation. It explained it is a specialist lender providing loans to people who may not be able to access loans from other traditional lenders. Progressive Money said it carried out a full review of Miss B's credit lines and a detailed income and expenditure assessment before lending and that the loan appeared affordable.

Progressive Money said that Miss B's account fell into arrears in March 2020, and she contacted it to say her circumstances had changed. An arrangement was put in place, but Miss B didn't maintain the requirements of the arrangement. Following contact in January 2021, a further arrangement was put in place and the account was settled in full in June 2021.

Our adjudicator upheld this complaint. While he thought the checks carried out by Progressive Money before lending were proportionate, he said the results of these showed Miss B was struggling financially. Because of this he said there was a significant risk that Miss B wouldn't be able to sustainably afford the loan repayments.

Progressive Money agreed that it had carried out proportionate checks before lending but didn't agree that the lending shouldn't have been provided. It said that while Miss B's credit file showed missed payments and her exceeding her credit limits, on the call in February 2018 Miss B explained the reasons for these issues. It said that the loan it provided was used to consolidate other debts and so had it not been provided, Miss B could have been in a worse situation. It said that our adjudicator had said that the income and expenditure calculations showed the loan to be affordable and it agreed with this and noted that Miss B was able to maintain her repayments until March 2020 at which point her circumstances changed.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before providing the loan, Progressive Money carried out a credit check and a full income and expenditure assessment. Miss B's income was verified through her bank statements. Noting the size of the loan and the repayments compared to Miss B's verified income, I find that these checks were proportionate. However, just because I consider the checks proportionate this doesn't necessarily mean that I agree the lending should have been provided. I have therefore considered the information Progressive Money received through its checks to assess whether I consider the lending was responsible.

Miss B's income was recorded as around £2,500 and this was verified through her bank statements. I have looked at the bank statements provided, and I find these show signs that Miss B was struggling financially. I say this because she was being charged unarranged overdraft fees throughout the period for which the statements were provided, there were returned direct debit payments and evidence of payments being made to payday lenders.

Miss B's credit file didn't show any defaults or judgments, but it did show that Miss B was in arrears on a loan she had taken out in June 2017, that she had taken a further loan out in December 2017 and that she was frequently over the credit limit on her credit cards. While Miss B did appear to be generally making her priority payments (mortgage and utilities) as she was missing payments towards her other credit commitments and exceeding her credit limits, I think this should have raised concerns that Miss B wasn't able to manage her current financial commitments.

I note Progressive Money's comment about it providing credit to customers that may not be able to access credit elsewhere, and that it discussed Miss B's credit file with her. I have listened to the call provided and Miss B was asked why she was paying her council tax payments on her credit card, and she said she was short that month but said she had now paid the amount due for the year. When asked if this was due to anything specific, she initially said no, and then mentioned funeral costs for the loss of a family member. Miss B is asked about the debt consolidation, and she says that she would be using around £700 to repay two payday loans. While I appreciate this may put her in a better position by repaying possibly higher cost payday lending, the remainder of the loan, around £4,300 was additional lending.

So, while I note that the income and expenditure suggested the loan repayments would be affordable for Miss B, having looked at her bank statements and credit file, I find these raised concerns that Miss B was struggling to manage her existing credit commitments. Further noting her bank statements showed she was persistently in her overdraft, and this had increased in the time period the statements were provided for, I find that Progressive Money should have been concerned that any new lending wouldn't be sustainably affordable for

Putting things right

In this case, I think it's fair that Miss B should only have to repay the money she borrowed and had the use of. So, I think Progressive Money should refund all of the interest and charges Miss B has paid on the loan.

I understand that the loan has been settled and based on this, I find that Progressive Money should:

- Rework Miss B's loan removing all interest, fees and charges and treating all repayments made by Miss B as though they had been repayments of the principal. Any overpayments should be refunded with 8% simple interest* calculated from the date the overpayments would have arisen, to the date the complaint is settled.
- Remove any adverse information recorded on Miss B's credit file in relation to the loan.

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

My final decision

My final decision is that Progressive Money Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 31 October 2023.

Jane Archer
Ombudsman