

## **The complaint**

Mr W complains that Prodigy Finance LTD irresponsibly lent to him. Mr W also says Prodigy misrepresented the nature of the loan and has structured the loan in a way that means he's paying more. Mr W also says Prodigy terminated the loan without providing proper notices.

## **What happened**

Prodigy lent Mr W a study loan in March 2023 for \$22,500 for his course. Mr W says his course was due to run for two years, and when he applied to Prodigy he applied for the full tuition amount. Prodigy gave Mr W the first year loan and asked him to submit an application for the second year loan.

When Mr W submitted the second-year loan application, Prodigy declined to lend. It said Mr W's circumstances had changed. Prodigy also said it was terminating the original loan.

Mr W complained to Prodigy but it didn't uphold his complaint and so he referred it to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't think Prodigy had done anything wrong. Mr W disagreed and asked for an ombudsman to make 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.

### *Initial lending decision.*

We've set out our general approach to complaints about lending - including all of the relevant rules, guidance and good industry practice - on our website.

Prodigy needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr W could afford the loan repayments in a way that wasn't detrimental to his finances. These checks aren't prescriptive and could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

I've thought about Prodigy's initial decision to lend. I've considered whether its checks went far enough and whether those checks show Mr W could repay the loan in a sustainable manner. Before lending at the time, Prodigy checked Mr W's payslips for three months prior to the loan, looked at his bank statements to confirm that he did receive wages. Prodigy also saw confirmation from Mr W's employment and that he received a tuition and travel sponsorship from his employer at the time.

Prodigy considered Mr W's credit file which he provided and based on what it saw it asked Mr W about the late payments showing on his credit file at the time which he gave a reasonable explanation for the late payments.

Prodigy found Mr W's income to be around £3,700 and as he got sponsorship from his employer, Prodigy could reasonably conclude Mr W could afford the loan. Mr W has said Prodigy didn't carry out any of its own checks. From what I can see, it did carry out checks and reacted to the information it saw.

Mr W says Prodigy should have asked about his expenses and has provided his bank statements. While Mr W may have a point about his expenses, from what I've seen on his bank statements, Prodigy would likely have concluded he could afford the loan repayments even if it checked his expenses. Ultimately, reasonable checks showed Mr W could afford the loan repayments and so I think Prodigy did enough before lending and based on what it knew about Mr W at the time made a fair lending decision.

Prodigy has also said it considered Mr W's earning prospects at the end of his course which suggested he'd have still be able to keep up his repayments at the end of the course. Although Prodigy hasn't said what it worked out Mr W's earnings prospects to be.

Mr W has explained that he's vulnerable and Prodigy should have taken this into account. I can see that when Prodigy asked Mr W about the late payments on his credit file, he disclosed it was due to health challenges which he said was now under control. There was nothing in Mr W's disclosure from what I've seen that should have made Prodigy decline his loan due to his vulnerability. I'd have expected Prodigy to make reasonable adjustments for Mr W should he have required it, but I can't see he requested this at the time.

Having considered Prodigy's checks and what it knew about Mr W, I think it acted fairly when it agreed to lend him the initial loan for his course.

### The nature of the loan.

Mr W says Prodigy misrepresented the nature of the loan as he was led to believe the loan would cover both years of his study. I've seen the offer Prodigy sent to Mr W about funding for the second year and it clearly states the offer was provisional and that Mr W needed to provide supporting evidence before the funds will be released. I think this makes it clear that there was some form of assessment required before the second-year loan would be disbursed. Prodigy has said it declined the second-year loan due to what it found from its checks.

Prodigy said it relied on Mr W sending his credit file for the first year's loan, I think in the circumstances, Prodigy could reasonably have expected that the information Mr W provided was accurate, particularly because he'd provided other documents about his employment and finances at the time.

By the time of the loan for the second year, Prodigy searched Mr W's credit file, but he also sent a copy of his credit file. I've seen all the copies of the credit file and I can see there are a number of pages missing from the credit file Mr W provided for the initial funding.

The pages missing omit that Mr W had defaults on accounts he was still repaying. Prodigy says had it seen these defaults at the time of the original lending, it wouldn't have lent to Mr W.

I think in light of this information Prodigy discovered, it was entitled to decline to lend Mr W further loans. This service has asked Mr W for an explanation of the missing pages, and he has said he couldn't explain why the pages were missing.

### Structure of the loan.

Mr W has also said this loan has been structured in a way that repaying it has led to Mr W incurring further costs due to currency conversion required to repay the loan. I've looked at the information Prodigy provided about the currency of the loan, and I can see that the credit agreement clearly states the loan was being made in US dollars and that if Mr W repaid the loan in any other currency then he'd be liable for the associated charges. Mr W also had the option to decline the loan as he was given 14 days to change his mind should he wish to.

Mr W proceeded with the loan being fully aware of the loan and repayment currency including likely associated charges. I think Prodigy made the requirement clear in line with regulatory obligation and I don't think it has acted unfairly here.

Mr W has said the product isn't created for UK citizens and is contrary to the regulator's rules. The suitability of Prodigy's product to the UK population isn't something that falls within the remit of the Financial Ombudsman Service, that is something for the regulator to decide. My role here is to determine whether in Mr W's circumstances Prodigy did anything wrong and I haven't found that it did on this issue.

#### Termination of the loan.

Mr W has also said Prodigy has terminated the loan without appropriate notices. Prodigy has told the Financial Ombudsman Service that it intends to hold off on the loan termination until the conclusion of this service's investigation or court proceedings. I'm mindful that Mr W has said he has filed for a time order in court. It isn't appropriate for me to comment further on issues that are being decided by a court and as Mr W has said he's started proceedings on the loan termination in court, I won't be making a finding on this issue.

From what I can see, Mr W hasn't kept up with his repayment on the initial loan and is working with third party bodies to manage his debt. I'd remind Prodigy of its obligation to treat Mr W positively in his financial difficulties particularly given his vulnerabilities. Prodigy needs to work with Mr W on a plan to repay his debt and treat him with the required forbearance in the circumstances.

I appreciate that Prodigy declining to lend the second-year study loan to Mr W has had a significant impact on his ability to continue his course and I can only imagine how difficult it must be for him. Prodigy needs to make fair lending decisions and it is within its powers to determine the risks it is willing to take.

The information that became available to it for the second-year loan made it decline to borrow, this is something it was entitled to do. Although I haven't found that Prodigy has treated Mr W unfairly, I'd remind it of its obligation to treat Mr W positively particularly in light of its knowledge about his vulnerability.

#### **My final decision**

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 1 April 2024.

Oyetola Oduola  
**Ombudsman**