

The complaint

Miss J complains Paragon Finance PLC trading as Moorgate Loan Servicing (“Paragon”) irresponsibly provided her with two unaffordable personal loans.

What happened

Miss J was provided with loans in 2004 and 2006. Since the loans were arranged a number of businesses have been responsible for them. Ultimately Paragon is now responsible for all acts and omissions in relation to Miss J’s loans, so I’ll refer to the business as Paragon throughout my decision; however, these loans were originally provided by Egg Banking Plc.

I’ve set out the details of these loans in the below table:

Loan	Date of loan	Capital amount	Term (months)	Monthly repayments	Total repayable value
Loan 1	March 2004	£7,500	84	£124 (approx.)	£10,400 (approx.)
Loan 2	June 2006	£5,000	60	£101 (approx.)	£6,050 (approx.)

In May 2023 Miss J raised a complaint about unaffordable lending. She said these loans had been irresponsibly provided because better checks ought reasonably to have identified they were unaffordable for her.

There was confusion about which business was responsible for the lending decisions Miss J is complaining about and she brought her complaint to our Service for review.

Our Investigator ultimately went on to review the details of Miss J’s complaint against Paragon and concluded it hadn’t made an unfair lending decision in either event. He considered evidence Miss J provided which included copies of bank statements around the times of these lending events, and her payslips verifying her income. He considered the evidence suggested the loans were sustainably affordable for her; and concluded Paragon had made fair lending decisions.

Miss J disagreed with our Investigator’s outcome. She’s provided a lot of information in response to our Investigator’s conclusions; including making reference to the approach used which she considers at odds with other cases resolved by our Service. Miss J maintained her arguments and position that these loans were unaffordable, and that had Paragon completed better checks it ought reasonably to have identified this through the evidence she has provided to our Service.

Miss J asked for an Ombudsman’s review, so the complaint’s been passed to me to decide.

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.

I appreciate Miss J has provided considerable evidence and arguments throughout the course of this complaint. I'd like to assure her that I've reviewed all of the evidence on file, as well as listening to the calls she's had with our Investigator. I don't mean to be discourteous, but I haven't commented on all of the evidence and arguments that have been presented. Instead, I've focused my decision here on what I consider to be the key points and facts relevant to this complaint.

Having considered everything, I've reached the same outcome as our Investigator. I appreciate this will be disappointing for Miss J; I've set out my reasoning for this below.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; both Miss J and Paragon are aware of this approach.

Indeed, Miss J has commented on this approach, and has drawn parallels between her case and others our Service has resolved, specifically in relation to the level of checks and the information she considers Paragon, and our Investigator, ought to have considered. However, Miss J has acknowledged that the rules and requirements on Paragon may have been different at the times of these lending events; and her assumption is correct.

The regulatory requirements and codes of practice in existence today weren't in place at the time these loans were provided. Miss J complains better checks into her financial circumstances should have been completed at each lending event; and that had that happened Paragon ought to have identified these loans were unaffordable for her. But the obligations on Paragon at the time simply stated it needed to assess whether it considered Miss J could repay the loans; it was no more prescriptive than that.

Paragon has said it has limited information available in relation to these loans; and it hasn't been able to provide details of the checks that were completed to assess whether Miss J would be able to repay them. Given the amount of time that's passed since these lending events, being as much as nearly 20 years at the time of Miss J's complaint, I don't find this to be unreasonable. Miss J has been able to provide some details of what appears to be an income and expenditure check at the point of each loan, however she disputes the values contained within.

While I accept Miss J disputes the details, it would appear Paragon did complete checks at the time of each lending event, to reasonably satisfy itself Miss J could afford these loans. It's not clear whether this information was obtained by taking Miss J's declarations, or using industry average data or online credit tools and credit checks, for example. But it does appear some level of checking was at least completed. Considering the obligations and standards of good industry practice in place at the time, and the information available to me, I therefore can't safely conclude Paragon's checks before each lending event weren't reasonable or appropriate.

Miss J has provided us with her bank statements covering a period of around three months before each of the loans. She's pointed to the transactions within the statements and the constant use of an overdraft facility, which she says suggests these loans weren't affordable for her. But I can't fairly conclude Paragon's checks needed to go as far as assessing Miss J's bank statements; or verifying her financial situation by reviewing payslips, for example. As I've found above, the obligations on Paragon required it to assess whether she could repay the loans; but it wasn't prescriptive in how this should be completed, or that information needed to be verified as opposed to it obtaining declarations from Miss J, or reasonably identifying information through credit checks or industry data. So, I can't fairly place weight on these statements to conclude Paragon shouldn't have lent.

In any event, I'm not persuaded that had Paragon reviewed Miss J's statements it wouldn't have reached the same decision to lend. I say this because while the statements show Miss J was utilising an overdraft facility, they do suggest, after taking into account her evidenced income and identifiable non-discretionary spending, that she had a reasonable level of disposable income to be able to maintain the relatively modest repayments to these loans, and a reasonable surplus for discretionary spending. This is taking into account Miss J's income and the full regular monthly non-discretionary expenditure identifiable through the statements.

Miss J has said she made monthly payments for childcare by cash and cheque, and she disputes that after paying all of her commitments she had any level of disposable income available. While Miss J's bank statements reflect regular monthly cheque and cash withdrawal payments, I can't be satisfied Paragon's checks would or ought reasonably to have identified these payments, again based on the obligations on it at the time. As set out above I consider that would have been a level of detail not required under its obligations at the time. I consider it would have identified the evidenced non-discretionary expenditure it would have expected to have been present, and would have taken comfort that overall, the modest repayments to these loans appeared affordable.

I don't doubt Miss J's testimony that these loans were unaffordable for her at the time; and I accept the arguments and evidence she has put forward throughout all stages of this case. But I can't reasonably be satisfied that Paragon's checks needed to have been as detailed and have taken into account as much information as Miss J suggests, given the obligations on it at the time of each of these lending events.

I know my decision will be disappointing to Miss J. As I've set out above, she's presented considerable evidence and arguments in support of her case; and has drawn parallels with other cases resolved by our Service. But there are many nuances between cases, and based on the obligations on Paragon at the time of these lending events, I can't conclude its checks weren't reasonable or appropriate, or that it made unfair lending decisions when providing her with these loans.

My final decision

For the reasons set out above my final decision is that I'm not upholding Miss J's complaint about Paragon Finance PLC trading as Moorgate Loan Servicing.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 27 June 2024.

Richard Turner
Ombudsman