

The complaint

Mr H complains that Progressive Money Limited irresponsibly lent to him when it agreed a loan.

What happened

In June 2018 Progressive Money gave Mr H a £3,500 loan to be repaid over 36 months. The APR was 46.78% and the monthly repayment was approximately £166. In addition, Mr H was charged an acceptance fee of £350 and an administration fee of £390. Both fees were added to the loan balance, attracting interest. The total interest payable was £1,748.44.

The purpose of the loan was debt consolidation and Mr H consolidated around 14 existing high-cost credit loans. The loan funds were paid directly to the debts being consolidated (or paid via a cheque) and a remaining £89.11 payment was made direct to Mr H. During the application process for the loan in question, Mr H stated the purpose of the loans being consolidated was home improvements.

Through his representative Mr H argues that Progressive Money lent irresponsibly as it failed to conduct “*thorough, appropriate and reasonable checks*” before agreeing to lend. Mr H’s representative has highlighted a large number of active credit accounts at the time of the application, including 11 which were opened in the three months prior to Progressive Money agreeing this loan. It has also highlighted that during the course of the loan Mr H continued to take out additional high-cost credit, demonstrating a dependency on this type of credit. Finally, Mr H’s representative has also highlighted a large number of gambling transactions on Mr H’s bank statements, arguing that given Mr H’s circumstances it wasn’t sustainable to lend to him.

Progressive Money considered Mr H’s complaint but didn’t agree it lent irresponsibly to Mr H. It argued that it completed proportionate checks before agreeing to lend and that it lent responsibly to Mr H. During the application process Progressive Money completed a “*detailed fact find*” with Mr H which involved multiple phone conversations, completing a credit search and taking a verbal income and expenditure review. It was also provided with three months of bank statements for Mr H’s sole and joint account, three months of payslips to show Mr H’s income and evidence of the rental payment Mr H received of £450 per month. Based on the information these checks revealed, Progressive Money felt it was reasonable to lend.

Mr H didn’t agree with Progressive Money and so referred his complaint to our service. One of our investigators reviewed the complaint. They didn’t think Mr H’s complaint should be upheld. They concluded Progressive Money had completed proportionate checks and that based on this, it was responsible to lend. Mr H disagreed and so the complaint has been passed to me to consider.

I issued a provisional decision setting out why I was minded to uphold this complaint. In my provisional decision I said:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. We’ve explained how we handle complaints about

unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mr H's complaint.

Progressive Money needed to make sure it lent responsibly to Mr H. It therefore needed to complete sufficient checks and respond appropriately to the information it uncovered, to determine if Mr H could afford to sustainably repay the lending.

There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like amount and term of the lending, what the lender already knew about the consumer etc.

Looking at the checks Progressive Money completed I think it did complete proportionate checks. I've detailed above the checks Progressive Money completed and they were extensive, particularly given the length and term of the loan. I have reviewed call recordings for the eight conversations which took place between Mr H and Progressive Money during the application process. I have also seen bank statements for both of Mr H's current accounts for the months leading up to the loan in question and I've reviewed the income and expenditure table that Progressive loans completed with Mr H. In addition, I've seen pay slips, evidence of rental income and credit search results for the search Progressive Money completed. So I'm satisfied Progressive Money took sufficient steps to gather enough information about Mr H's circumstances before agreeing to lend.

However, in addition to gathering sufficient evidence, Progressive Money needed to respond appropriately to the information it uncovered about Mr H's circumstances before agreeing to lend. I've looked at Mr H's bank statements for his sole account for the three months prior to lending (which I understand Progressive Money was provided copies of during the application process). From looking at these statements I can see Mr H was spending substantial sums of money on gambling and in excess of £4,000 per month against an income of approximately £2,450 to £2,650 per month. (Income taken from Mr H's payslips and rental income.) In addition, Mr H was regularly reliant on high-cost short term credit and had a large number of loans outstanding (including 14 of which were consolidated into this loan) and other credit facilities such as a credit card, catalogue shopping account and a motor finance agreement. And from looking at his current account statements, Mr H was also regularly using his overdraft and incurring overdraft fees.

Taking into consideration Mr H's financial circumstances at the time of lending, I don't think Progressive Money lent responsibly to Mr H. It should've had concerns that Mr H was unlikely to be able to sustainably repay this borrowing over the full 36 months term of the loan, given his wider financial circumstances and compulsive spending. I think it should've been clear to Progressive Money that given the extent of Mr H's financial circumstances, a consolidation loan (which still left Mr H with some outstanding credit) wasn't going to materially improve his financial situation. Particularly as this loan further increased Mr H's indebtedness by adding an acceptance fee of £350 and an administration fee of £390 to Mr H's loan balance and charged interest with an APR of 46.78% on the total amount.

I have noted Progressive Money's argument that Mr H met all his repayments on this loan. However, this doesn't mean he was able to do so sustainably and without the need to borrow further (which I can see he did do.) So I don't agree that this demonstrates the loan was affordable for Mr H.

Having reviewed the call recordings, I can see that during the loan application process Mr H told Progressive Money that his gambling was recreational and he would be stopping/ cutting down. He also told Progressive Money that his payday/ short term loans were taken out to fund home renovations (suggesting these were emergency events and not symptomatic of someone who had problems managing his finances). I'm mindful that Progressive Money is entitled to rely on Mr H's declarations during the application process so long as it is reasonable to do so. However, given the volume of Mr H's active high-cost credit accounts and the amount of gambling transactions (which in total extended his monthly income in the

three months prior) I think Progressive Money had clear reason to doubt this information. And therefore I don't think it was reasonable for Progressive Money to rely on it.

I also wanted to highlight that when discussing Mr H's gambling and what impact this could have on the loan application Mr H was told that Progressive Money has "assessed the gambling and it's absolutely fine as you are more up.... you win more than you gamble." For the avoidance of doubt, it is not responsible to take into consideration gambling winnings (which are not guaranteed) when establishing whether or not a borrower can afford to sustainably repay a loan, particularly given the volume of compulsive spending in Mr H's case.

So for the reasons explained above, I don't think Progressive Money properly considered the information it had available. I think this information demonstrated that it was unlikely Mr H would've been able to sustainably repay the loan. And so I don't think it should've lent to Mr H.

I asked both parties to provide anything they would like me to consider in response to this decision. I haven't received further comments from either party.

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 done so, as neither party has provided anything further, I see no reason to depart from the findings reached in my provisional decision (which forms part of this decision.) So it follows that I uphold this complaint. Whilst I'm satisfied Progressive Money gathered sufficient information before agreeing to lend, I don't think it responded appropriately to this. I think Progressive Money had sufficient information to conclude that Mr H could not have afforded to repay this loan in a sustainable way and so I don't think it should have lent to him.

Putting things right

Progressive Money should:

- Remove all interest, fees and charges applied to Mr H's loan from the outset. The payments Mr H has made should then be deducted from the new starting balance. If the payments Mr H has made total more than the amount he was originally lent, then any surplus should be treated as overpayments and refunded to him.
- Add 8% simple interest* calculated on any overpayments made, from the date they were paid by Mr H to the date the complaint is settled.
- Remove any adverse information recorded on Mr H's credit file as a result of this loan.

*HM Revenue & Customs requires Progressive Money to deduct tax from this interest. Progressive Money should give Mr H a certificate showing how much tax it's deducted, if he asks for one.

My final decision

For the reasons explained, I uphold Mr H's complaint and require Progressive Money Limited to put things right in the way I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 July 2024.

Claire Lisle
Ombudsman