

The complaint

Mr and Mrs Z complain that Evolution Money Limited mis-sold them a second charge mortgage (secured loan) which wasn't suitable for their needs.

What happened

In 2018 Mr and Mrs Z discussed taking out a secured loan with Evolution Money. Evolution Money recommended that they take a loan with Evolution Lending, a sister firm of Evolution Money, to consolidate some of their existing unsecured debt. Mr and Mrs Z borrowed £24,000, plus £3,099 in fees, over a fifteen year term. Interest was charged at a variable rate, initially 16.08%, giving a monthly payment of £379.26.

Mr and Mrs Z experienced financial difficulty from 2020, eventually selling their property to repay the loan. They now complain that the loan should never have been recommended to them. Evolution said that the loan was suitable for them, as it allowed them to consolidate some of their debts and improve their overall situation.

Our investigator looked into this complaint and a parallel one against the lender. He said that the loan should never have been recommended or lent, and upheld both complaints. He said that Evolution Money should pay Mr and Mrs Z £500 to compensate them for making an unsuitable recommendation. As Evolution didn't accept that, the case comes to me for a final 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.

I've also considered the complaint against the lender, and – like the investigator – I have upheld it. I have required the lender to compensate Mr and Mrs Z by refunding the interest and fees it charged and by removing the loan from their credit files.

In this complaint, I'm not concerned with the lending decision, but with the recommendation Evolution made. As a mortgage adviser, it's required to have understood Mr and Mrs Z's needs and circumstances, and then recommended the most suitable loan for those needs and circumstances – which includes recommending that they don't go ahead if there is no suitable loan available. As this loan involved debt consolidation, in making a recommendation it should also have taken into account the potential extra costs of consolidation, the impact of securing previously unsecured debt, and whether Mr and Mrs Z might be better advised to seek an arrangement with their unsecured creditors.

Evolution did make clear that Mr and Mrs Z would be securing unsecured debt, and I'm satisfied they understood that. But explaining it isn't the same as considering whether doing so was suitable.

For reasons I've explained in the complaint against the lender, I don't think this loan was affordable for Mr and Mrs Z. While that's the lender's responsibility, I think Evolution Money

as the adviser also had an obligation to take affordability into account – because an unaffordable loan wouldn't be a suitable one. Although this loan reduced Mr and Mrs Z's outgoings, because it consolidated two personal loans, it didn't in my view reduce them enough to make this borrowing affordable.

Even after consolidation, Mr and Mrs Z still had substantial unsecured debt – including several credit cards at or near large credit limits, and an overdraft of around £5,000. This lending didn't resolve their outstanding debts. And there was information in Evolution's possession – including their credit files – which showed that their debts had recently significantly increased. I'm not persuaded that it was fair for Evolution to conclude that consolidating some but not all of their unsecured debt was suitable – bearing in mind there was evidence (such as the sustained use of their credit cards and overdraft) that they were already struggling to maintain their commitments. While their outgoings reduced somewhat, by taking this loan their debts were now secured over their property – making the consequences for Mr and Mrs Z more serious if something were to go wrong. I'm not persuaded this was a suitable recommendation.

Putting things right

As I've said, I've already required the lender to compensate Mr and Mrs Z for the financial consequences of this loan. But I'm satisfied that in recommending it, Evolution Money caused Mr and Mrs Z distress and inconvenience. It led to them proceeding with an unsuitable and unaffordable loan. Ultimately they ended up losing their home – and while that was due to later changes in circumstances, this loan played a part in that, and left Mr and Mrs Z with less equity than they might otherwise have had. I think it's fair that Evolution pays them £500 compensation for its part in what went wrong.

My final decision

My final decision is that Evolution Money Limited should pay Mr and Mrs Z £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z and Mrs Z to accept or reject my decision before 6 March 2025.

Simon Pugh
Ombudsman