

The complaint

Mr R complains that Evolution Lending Limited mis-sold a secured loan to him.

What happened

In 2022, Mr R took out a third charge mortgage with Evolution. It was for £9,000 plus a product fee of £900 and a lender fee of £499 repayable over ten years on a variable interest rate of 22.71%.

Mr R complains that the mortgage was mis-sold, for a number of reasons, including:

- He was not properly made aware that the loan would be secured against his home.
- The loan was sold less than a month after he'd bought the property. Evolution ought to have identified he was in a vulnerable financial position.
- Evolution's communication lacked transparency and he wasn't given sufficient information to understand the risks, including that most of his payments have gone towards the interest, rather than the capital balance.

The investigator did not think the complaint should be upheld.

Mr R did not accept what the investigator said. He responded to say, in summary:

- It was unclear whether the affordability checks carried out by Evolution were in line with the relevant rules. In particular, it did not take into account all of the secured debt, the realistic scenario that he would repay his help-to-buy loan or carry out an appropriate interest rate stress test.
- The payments due under the help-to-buy loan were foreseeable and should have been taken into account in the affordability assessment.
- By not seeking the help-to-buy lender's consent for the loan he was put in breach of that lender's terms and conditions. The fact the help-to-buy lender had not enforced that breach does not remove the regulatory failing at the point of sale.
- The loan meant his total secured borrowing was over 100% loan-to-value (LTV). While the LTV might have fallen due to increases in house prices that was not a valid reason to justify the lending decision.
- The fact that the loan was not in arrears does not support that the lending decision was reasonable.

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.

When Mr R took out this loan he received advice from another business. That business is linked to Evolution Lending but is separately authorised by the Financial Conduct Authority. This complaint is about whether Evolution Lending acted fairly and reasonably in giving Mr R the loan. Its obligations as a lender were different to the business that gave him advice.

The relevant rules in this case are the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB). I must take those rules, amongst other things, into account in deciding what I consider to be fair and reasonable in the individual circumstances of this complaint. MCOB 11.6 covers responsible lending.

Income and expenditure

Evolution recorded that Mr R had net income of £2,887.28 a month. That was supported by payslips provided by Mr R. It was reasonable for Evolution to use that figure for assessing affordability.

Evolution said Mr R's total expenditure was £2,349.28 including his first charge mortgage payment. It said the new loan payment was £205 a month – and it said Mr R's first charge mortgage payment would increase by £182.59 a month and the third charge payment by £14.62 a month. So total expenditure including the new loan and stress test amounts were £2,751.49. That would have left Mr R with over £130 a month.

There are some issues with that. First, it overstated Mr R's expenditure by £205 a month as it included a payment towards a hire purchase that Mr R had repaid.

On the other hand, it did not include the likely payments that Mr R would have to make towards his help to buy loan from the sixth year would be at least £125 on a loan of £35,990 on interest rate of 1.75%. I don't consider there was any requirement for Evolution to apply a stress test to that payment as there were no payments required in the first five years.

Evolution was also not required to apply a stress test to either the first charge mortgage or the help to buy loan. That is because under MCOB a stress test is required, "unless the interest rate under the regulated mortgage contract is fixed for a period of five years or more from that time". In this case, the interest rate on Mr R's first charge mortgage was fixed until 31 March 2027. So there was more than five years remaining when Evolution assessed affordability and when Mr R accepted the terms of the loan.

Payments were not due on the help-to-buy loan until year six. So again, I do not think that Evolution was required to stress test the future payments on that loan – but I agree it should have taken the anticipated payments into account in Mr R's expenditure.

Taking all of that into account, I consider that it would have been reasonable for Evolution to consider Mr R's expenditure was less than his income – and with a reasonable cushion for any unexpected expenses. Therefore if it had carried out a reasonable assessment of Mr R's income and expenditure and looking at everything it knew about his circumstances, then it was reasonable for it to conclude the loan was affordable and sustainable.

I do not consider the way Mr R managed his finances or that he'd recently bought his house would lead me to conclude that Evolution had not lent responsibly. And it is for Evolution to decide if it accepts the risk of lending at 100% loan-to-value.

I think it would be very difficult for me to say that Evolution led Mr R to believe the loan was not secured against his home. For example, the mortgage offer set out clearly and prominently in bold text "If you don't make your mortgage repayments in full and on time, you could risk losing your property and/or being made bankrupt", and Mr R went on to sign a legal charge.

The nature of a long term loan of this nature is that more of the payments go towards interest rather than capital in the early years of the loan. It was for the broker to consider that as part of whether the loan was suitable for Mr R or not.

The complaint about whether Evolution should have told Mr R to seek the consent of the help to buy lender was addressed under the complaint against the broker. But it is not relevant to whether the loan was affordable or not and I do not think it made the lending decision unreasonable. And in any event, Mr R has not suffered any financial loss because of that.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 17 December 2025.

Ken Rose
Ombudsman