

The complaint

Mr T complains that Evolution Money Limited mis-sold him a secured (second charge) loan in 2022.

What happened

Mr M discussed taking out a secured loan with Evolution Money. Evolution Money recommended that he take a loan with Evolution Lending, a sister firm of Evolution Money, to consolidate some of his existing unsecured debt.

The mortgage offer issued on 23 September 2022 shows Mr T was borrowing £24,956 (plus £2,921.04 fees) over a 15-year term on a repayment basis. The interest rate was 22.56% variable, which gave an initial monthly payment of £500.35.

The loan completed on 27 September 2022. The direct debits were returned as unpaid in July 2023 and January 2024, with both the monthly payments made up the same month. Payments were then missed in February, March, April, August and September 2024. From October 2024 Mr T started to pay an additional £50 a month towards the arrears, I understand in December 2024 Evolution reworked the account, extending the term and moving the arrears to the end of the term. This, in effect, removed the arrears balance at that time, albeit in January 2025 Mr T's normal monthly payment due that month was returned as unpaid so the account went back into arrears.

Mr T complained to Evolution about the loan in August 2024. Evolution issued a complaint response letter to Mr T on 17 October 2024 and provided a further letter on 21 February 2025 not upholding the complaint.

Mr T referred the complaint to the Financial Ombudsman Service where it was looked at by one of our Investigators. Our Investigator upheld the complaint about the advice that was given, saying the advice led to Mr T taking out a loan that was unsuitable and unaffordable. She said as she'd separately upheld a complaint about the lending decision the financial loss was already being put right, but she felt Evolution Money should pay £500 compensation for the distress and inconvenience caused.

Mr T accepted our Investigator's findings. Evolution didn't accept our Investigator's findings and so it was 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've separately upheld a complaint about the lending decision, saying I thought the lending was unaffordable and unsustainable. I've ordered the lender to compensate Mr T by refunding the interest and fees it charged and by removing any adverse information about the loan from his credit file.

All I'm considering here is whether Evolution Money gave suitable advice to take out this loan for debt consolidation purposes.

Evolution Money, as a mortgage adviser, was required to have understood Mr T's needs and circumstances, and then made a suitable recommendation to him – which includes recommending that he doesn'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 T might be better advised to seek an arrangement with his unsecured creditors. This is covered in MCOB 4.7A.15¹.

Evolution did make clear that Mr T would be securing unsecured debt, and I'm satisfied he 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 T. 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 T's outgoings, because it consolidated some unsecured debts, it didn't in my view reduce them enough to make this borrowing affordable.

Even after consolidation, Mr T still had some unsecured debt, and some of the debt being repaid was a credit card which could easily be used again. This lending didn't resolve Mr T's outstanding debts, and there was information in Evolution's possession – including his credit file – which showed that his debts had recently increased. I'm not persuaded that it was fair for Evolution to conclude that consolidating some but not all of his unsecured debt was suitable – bearing in mind there was evidence (such as the sustained use of his credit cards, the increase in his amount of debt and his previous history of consolidating debts) that he was already struggling to maintain his commitments. While his outgoings reduced, by taking this loan his debts were now secured over his property – making the consequences for Mr T more serious if something were to go wrong.

In addition, Evolution Money was aware that Mr T had a help-to-buy ("HTB") loan and that the HTB loan was a barrier to many lenders being willing to lend; in fact it seems it was the reason why Mr T was referred to Evolution Money in the first place as a broker had been unable to place the application with any lender it had tried. That's because it is normal with HTB loans that permission is required from the HTB provider for any further loans to be secured against the property. And that permission is only granted for limited reasons, such as essential home improvements, it was unlikely to be granted for debt consolidation purposes.

¹ <https://handbook.fca.org.uk/handbook/mcob4/mcob4s17>

Whilst there could be an argument that it was for Mr T to make sure that he was complying with the terms of the HTB loan, Evolution Money was acting as a mortgage broker. It ought reasonably to have known that HTB loans carry a number of restrictions around secured lending. It follows, that to be able to reasonably recommend a secured loan to Mr T, Evolution Lending ought to have asked more questions about the terms of the HTB loan, and if it had done so it would have come to light that the HTB provider's consent was required for any additional secured borrowing – and that it was only likely to do so for home improvements. So Evolution Money could have told Mr T to get consent from the HTB provider or looked at other options. But from my experience, The HTB provider was unlikely to consent to new borrowing secured against Mr T's property. In those circumstances, I don't consider it was fair or reasonable for Evolution Money to recommend a secured loan to Mr T. Without the HTB provider's consent, Mr T was in breach of the terms of the HTB loan by taking secured borrowing.

Having considered everything very carefully, I'm not persuaded this secured loan was a suitable recommendation for Mr T.

Putting things right

As I've said, I've already required the lender to compensate Mr T for the financial consequences of this loan. But I'm satisfied that in recommending it, Evolution Money caused Mr T distress and inconvenience. It led to him proceeding with an unsuitable and unaffordable loan. Mr T has since struggled with the repayments, leading to the worry that he will lose his home. I understand Mr T's property is on the market, and by recommending this loan Mr T will be left with less equity than he might otherwise have had and denied him the opportunity to look at other options, such as either a formal debt management plan or informal arrangements with what had been his unsecured creditors. I think it's fair that Evolution Money pays him £500 compensation for its part in what went wrong.

My final decision

My final decision is that Evolution Money Limited should pay Mr T £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 December 2025.

Julia Meadows
Ombudsman