

The complaint

Mrs A's complaint is about the advice she received from LOAN.CO.UK LIMITED trading as Loan.co.uk in 2023 to take out a mortgage on her unencumbered home. She believes that the mortgage was mis-sold as she told Loan.co.uk that her bank statements would show gambling (which she accredited to her husband) and it didn't ask any further questions. This meant that a significant amount of money was released, which she then used to fund her gambling addiction.

What happened

Mrs A initially contacted Loan.co.uk in January 2023 about the possibility of arranging to borrow £100,000. Loan.co.uk messaged her back, but the following day she told it that she didn't need a loan after all. However, in August 2023 Mrs A contacted Loan.co.uk again. Mrs A explained that she wanted to borrow £75,000 to complete some home improvements (£49,696) and to consolidate unsecured debts (£25,304). The debts that were to be repaid were two credit cards with S and N and a loan with T. The home improvements were a new kitchen and to convert a downstairs room to a bedroom and install an ensuite bathroom. Mrs A said that if there was any money left after that, it would be put toward buying a car for her daughter.

During the conversation between Mrs A and the individual broker the following exchange occurred:

Broker - "As far as you're concerned do you have any defaults, CCJs, repossession orders, bankruptcy, IVAs, payday loans or heavy gambling problems?"

Mrs A - "I don't have anything like that, but my husband was gambling and erm my bank account is set up on his PayPal, it was his PayPal account. So I had owed him money for something and he was just using it from my account and I think this month, but previously no."

Broker - "How much was the gambling?"

Mrs A - "I think he... I owed him about £1,500, I think he's used that. I'd said it was OK but I don't think he'd know of it but then I'm like it's probably going to look as if I'm thingying, but just said PayPal account, but it was his account. But he's shut it down now."

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Broker - "If we go to a lender that asks for bank statements, they might say what's the situation with this? Um, I appreciate it's only the latest month, but I'd really like to use a lender that doesn't require bank statements."

Mrs A - "If it means £20 a month extra it's fine."

Broker - "Yeh, great, no that's fine."

Loan.co.uk recommended a mortgage with Lender H. It was for £75,000 over a term of 16 years. An application was submitted, which lender H accepted the application and issued a mortgage offer on 30 August 2023. This required Mrs A to repay the debts she had declared she would in the mortgage application.

On 14 September 2023 Mrs A received the mortgage advance. On that day Mrs A's bank statement shows that she made payments to credit cards and the loan with T, which added up to £28,189.42. Mrs A also completed transfers totalling £17,330 to other bank accounts in her own name, £20,000 into an investment account, and £6,100 into accounts in her husband's name. She also transferred another £2,000 to her own accounts the following day.

On 26 April 2024 Mrs A's property was re-mortgaged and the Lender H mortgage was repaid. She has told us that she had run up additional debts due to her gambling after the Lender H mortgage advance and needed to re-mortgage to repay them.

Mrs A raised a complaint with Loan.co.uk in January 2025. She complained about the affordability of the loan and questioned whether the lending was responsibly recommended. Mrs A also highlighted that she had told the adviser that her bank statements would show gambling activity, and she was assured that this wouldn't be a problem as the statements would not be required.

Loan.co.uk responded in a letter of 20 February 2025. It confirmed that had it understood that the gambling Mrs A disclosed was hers, not her husband's, it would have undertaken additional assessments. However, it had accepted what Mrs A had said and so it had not completed further checks. Loans.co.uk highlighted that Mrs A had not raised any concerns with it about gambling when she approached it again in December 2023 for further secured borrowing. Overall, it was satisfied that, based on what Mrs A had told it, the mortgage was affordable and the advice was suitable.

Mrs A wasn't satisfied with Loan.co.uk's response and referred her complaint to this Service. When she did, she explained that she felt that had Loan.co.uk looked into her finances as she thinks it should have, and refused to arrange a mortgage for her, she would have got help with her gambling addiction sooner.

Loan.co.uk highlighted when it was asked for its records relating to the advice that Mrs A had denied having a gambling problem when asked directly. She told it about her husband having a one-off gambling incident that would show on her banking records, but as he was not involved with the mortgage, the incident was considered irrelevant. It said that it considered it had acted responsibly based on the information it was provided with at the time.

One of our Investigators considered the complaint. Ultimately, she was persuaded that when Mrs A said that her husband had been gambling from her bank account on a one-off basis, it would have been appropriate for Loan.co.uk to have verified this, rather than simply recommending a lender that meant the gambling transactions could be concealed. Had it done so, the Investigator was satisfied that Loan.co.uk would have become aware of Mrs A's gambling problem and declined to arrange borrowing for her. As such, the Investigator recommended that Loan.co.uk pay Mrs A a sum equal to the amount of the mortgage, less the amounts she had used from the advance to repay debts, plus the interest she had paid on the Lender H mortgage.

Mrs A accepted the Investigator's conclusions, but Loan.co.uk did not. It highlighted that under the regulatory framework it was entitled to rely on what it was told by its customers unless there was a common-sense reason to doubt it. It said that it had asked a clear

question of Mrs A, and she had lied to it and committed mortgage fraud. Loan.co.uk said that its adviser had no common-sense reason to doubt Mrs A's explanation about the gambling, given she had a good credit history, an unencumbered property, stable and verifiable income in excess of her commitments and significant unused credit available to her – she appeared to be in a strong financial position. It said that a broker cannot be held liable for failing to uncover a problem that a client actively and systematically concealed.

Loan.co.uk also said that the Investigator's reasoning failed too. It believed that even if it had identified Mrs A's gambling problem and refused to arrange borrowing, she would have obtained a mortgage elsewhere. Furthermore, Loan.co.uk said that there was no evidence that the money from the mortgage was used for gambling, rather than the purpose it was borrowed for. In addition, Loan.co.uk said that the re-mortgage to another lender broke the chain of causation, so it couldn't be held responsible for the borrowing thereafter.

Loan.co.uk also questioned the identity of the gambler, as Mrs A had told it that it was her husband and many of the gambling transactions happened from an account in his name. It also highlighted that there were many, many transactions moving money between multiple accounts in Mrs A and her husband's names, which often didn't result in net movements in funds. It suggested that the multiple transactions were done to create confusion, and it does not believe the dominant financial issue was gambling.

The Investigator considered Loan.co.uk's comments and responded, but she was not persuaded to alter her conclusions. Loan.co.uk asked that the complaint be referred to an Ombudsman for consideration. Loan.co.uk put in final submissions that were effectively a reiteration of its previous comments. It did add that the premiss that the debt it assisted Mrs A in creating by recommending the Lender H mortgage was still there, but just with a new lender, was 'legally unsound'.

Mrs A has provided bank statements for the period before the Lender H mortgage was advanced and for after the advance to the date of the re-mortgage for two current accounts in her name. One is a traditional high street bank account (account 1) and the other an electronic bank account (account 2).

Account 1 bank statements for 26 June 2023 to 24 August 2023 showed:

Description	Instances	Total (£)
Card payment to gambling site W	4	400
Card payment to gambling site B	5	250
Card payment to gambling site 3	1	50
PayPal to gambling site MV	12	1,300
PayPal to gambling site LC	24	3,540

For the same period account 2 shows:

Description	Instances	Total (£)
Card payment to gambling site P	25	2,900

PayPal to gambling site 3	30	4,170
PayPal to gambling site MV	4	500
PayPal to gambling site LC	16	1,850

The complaint was passed to me to consider. I asked Mrs A to provide additional information as we needed to be able to see that the money released from the mortgage advance was used for gambling by Mrs A. As she had told us that the gambling from a bank account in her husband's name was hers, we asked if she could provide evidence that this was the case. Mrs A provided further bank and PayPal statements.

Account 1 shows very little gambling activity after the mortgage advance – only relatively small payments to a gaming site B, which total £418.52 for the period between the mortgage advance and the re-mortgage. It does, however, detail what happened to the mortgage advance on the day it was released, as detailed above.

Account 2 shows:

- debits to gambling organisations of £9,350.
- credits from gambling organisations of £1,404.25.
- large quantities of debits to PayPal described as 'card subscription'. No detail is provided as to the organisation the payment was made to.

In addition, Mrs A provided bank statements for the account in her husband's name that she has told us she used for her gambling. These statements show large numbers of gambling transactions and payments being made into the account under her name. However, Mrs A has not provided any evidence that confirms that the gambling transactions were hers.

Mrs A has provided evidence that the £20,000 that was transferred into her investment account was withdrawn. The information from the provider does not show where the transfers were paid to. Mrs A also provided some statements from an account in her son's name that appears to have been used to move money to and from her bank accounts.

Three PayPal account statements have been provided – one in Mrs A's name, one in her husband's and one in the name of another relative. While there were what were clearly gambling transactions on two of the PayPal accounts, they did not match the 'card subscription' payments detailed on the account 2 statements.

I issued a provisional decision on 6 November 2025, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Loan.co.uk has said that it considers the number of transactions and the amounts of money moved through Mrs A's accounts in the period before the application was excessive for what she was doing. I would agree that there are a very significant number of transfers of money between numerous accounts. However, it is common for individuals with gambling problems to attempt to hide what they are doing and transferring money around different accounts can often be part of that process. Having spent time considering the information Mrs A has provided, I don't think the number of transactions indicate anything other than Mrs A trying to hide what she was doing with her money.'

I need to decide in this case whether Loan.co.uk should have been alerted to something being wrong when it was speaking to Mrs A. As any responsible business within financial services organising lending would do, it asked Mrs A if she had a gambling problem.

She told it that she didn't have a gambling problem, but that her husband had been gambling from her bank account and her statement would show around £1,500 of gambling transactions for that month. Given Mrs A's income, that amount would have equated to a significant proportion of her monthly income.

So Loan.co.uk was aware that there was a significant amount of gambling transactions that would show on Mrs A's bank statement for that month. The explanation for why that was, I think, should have seemed somewhat unusual – rather than Mrs A simply paying her husband money she owed him, she had authorised his PayPal account to be paid from her personal bank account to enable him to run up the amount of her debt to him on gambling sites. In addition, when he asked the amount of the gambling, it is clear that she is nervous about the situation. This should have raised concerns with the individual broker Mrs A was speaking to. I consider those concerns should then have been compounded when Mrs A said that she was willing to pay more for a loan if it meant that the lender would not ask for bank statements.

I can only conclude that the conversation Loan.co.uk had with Mrs A should have raised red flags about the possibility that she had a gambling problem. Rather than exploring things further to be sure that it should be providing Mrs A with assistance to borrow money, the individual broker decided to select a lender that would not ask for bank statements, so that the gambling on Mrs A's bank account would not be identified and questions would not be asked. I do not consider that Loan.co.uk acted appropriately in this regard.

Had Loan.co.uk asked the questions and obtained evidence it should have, I am persuaded that, even if it had only obtained bank statements for account 1, it would have seen gambling transactions that didn't fit with the account she had given and a considerable amount of movement of money between various accounts. This, I am satisfied, should have resulted in Loan.co.uk declining to assist Mrs A to obtain borrowing, or alternatively, Mrs A would have walked away from the process before a recommendation was made if she had been unwilling to provide that evidence.

I note that Loan.co.uk has indicated that it believes that Mrs A would have found borrowing elsewhere if it had not done what it did. That is possible, but that does not make what it did right. If Loan.co.uk had refused to assist Mrs A and another business had done so, it is likely that a complaint would be being considered against that other business.

When considering redress on a complaint, we aim to place a consumer in as close a position as possible to that which they would have been in, but for the error made by the financial business. In this case Mrs A would not have been granted the Lender H mortgage, and the existing credit card and loan debts would have remained in place, and she would have continued to pay interest on those debts. Mrs A's bank statement shows that she made payments to credit cards and loans for a total of £28,189.42. As such, I will not be making any award in relation to those funds.

However, had Loan.co.uk not provided Mrs A with advice and recommended the Lender H mortgage, she would not have been required to pay it the broker fee. As such, I consider that fee should be refunded.

After Mrs A paid off debts, there was approximately £46,500 of the advance left. All of that money was transferred out of Mrs A's bank account. Mrs A has told us that she gambled this money, and more, over the following months. It follows that, if the money was gambled and

lost, to place Mrs A in the position she would have been in but for Loan.co.uk's error, she would not have had that money and it would not have been lost. So, reasonably, I consider that Loan.co.uk should be responsible for the money lost to gambling activities by Mrs A.

As Loan.co.uk has pointed out, after the money was transferred out of the bank account, there followed a significant amount of money being moved between Mrs A's bank accounts, some of which we don't have records for, and accounts in her son's and husband's names. Due to the volume of transactions and the basic information about them that is recorded on the statements provided, it's not possible to trace exactly where the remainder of the money from the mortgage advance ultimately went.

Mrs A has told us that following the mortgage being advanced, she did a lot of her gambling on a formerly dormant bank account in her husband's name. She has provided bank statements from that account which clearly show a large number of gambling transactions and credits labelled as coming from Mrs A. However, she hasn't provided any evidence that these gambling transactions are hers and so I can't make an award in relation to those transactions.

As such, I have examined the bank statements and PayPal account statements in her name that Mrs A provided to establish what gambling transactions are evidenced in her name. I have detailed the amounts above. The bank statements only evidence £9,768.52 being paid out for gambling, and Mrs A also received winnings of £1,404.25. I consider that it is reasonable that the winnings be deducted from the gambling outgoings. As such, I am only satisfied that I can attribute £8,364.27 of the mortgage advance funds as having been lost by Mrs A to gambling activities, and this is the amount I am currently minded to award.

It follows that had this amount not been advanced in September 2023, Mrs A would not have paid interest on it. So in addition to the refund of the above amount, Loan.co.uk should also reimburse the mortgage interest that Mrs A was charged on that amount by Lender H.

Putting things right

I am minded to require Loan.co.uk to settle the complaint by:

- Refunding the £995 broker fee plus interest* from 14 September 2023 to the date of settlement.
- Paying £8,364.27 that Mrs A has evidenced as having been used for the purposes of gambling by herself**.
- Paying a sum equal to the interest that Mrs A paid to Lender H on the above sum between 14 September 2023 and 26 April 2024.**

** These sums should be paid directly to Mrs A's current lender to reduce the balance of her mortgage. If the lender confirms that an early repayment charge needs to be paid to allow the payment to be made to the mortgage, Loan.co.uk should also pay that sum.

*Interest is at a rate of 8% simple per year and paid on the amount specified and from/to the dates stated. If LOAN.CO.UK LIMITED considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to Mrs A, it should tell her how much it's taken off. It should also give Mrs A documentation showing this for use with HM Revenue & Customs.'

Loan.co.uk did not agree with my conclusions, but it confirmed that it was willing to pay the redress in order to bring the matter to a close.

Mrs A also didn't accept my conclusions. She reiterated that all of the money was used for gambling, even where she had used some of the mortgage advance to repay debts, she had run them up again with gambling. She repeated that all of the gambling transactions on the account in her husband's name and on the PayPal accounts in her husband's and mother's names were hers. She said that while she could provide statements of transactions from the gambling companies, they also wouldn't be in her name.

Further copies of the bank statements for the account in Mrs A's husband's name were provided and the PayPal statements in a different format. Mrs A also provided a statement from her husband saying that Mrs A had been using his bank account and that he had never deposited or withdrawn funds from that account. The statement also said that Mrs A had set up a PayPal account in his name. Mrs A's mother also provided a statement saying that Mrs A set up the PayPal account in her name and that it was linked to Mrs A's mobile telephone number – she had never paid money into or withdrawn money from the account. Mrs A said that all of the PayPal accounts were linked to her mobile telephone number, but she provided no evidence that was the case or the period that link had existed for.

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 have reviewed the file again in its entirety and I have revisited my provisional decision in light of Mrs A's further comments and additional evidence. Having done so, I have not been persuaded to change my conclusions.

Mrs A has maintained that the money from the mortgage advance was used for gambling, and I accept that may well be the case. However, if those gambling activities were hers, it's clear that she made considerable effort to disguise that fact. As I explained in the provisional decision, I can only make an award in relation to the money from the mortgage advance that I can evidence was gambled *by Mrs A*. She simply has not provided evidence to support the gambling undertaken on accounts in other people's names was her. While Mrs A's husband and mother have signed statements saying that it was Mrs A's gambling, that is not sufficient to evidence it was. Had Mrs A been able to provide details of accounts with gambling organisations in her name that matched the transactions, then that might have been sufficient, but she has confirmed that those accounts are also in other people's names.

My final decision

My final decision is that I uphold this complaint. I order LOAN.CO.UK LIMITED trading as Loan.co.uk to settle the complaint as detailed in 'putting things right' above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs A to accept or reject my decision before 24 December 2025.

Derry Baxter
Ombudsman