

## **The complaint**

Mr J and Mrs N complain that Social Money Limited irresponsibly lent them a second charge bridging loan.

## **What happened**

Mr J and Mrs N took out a second charge bridging loan with Social Money in July 2023. They borrowed £357,000 over a 15 month term, repayable in October 2024. The interest rate was 1.35% per month, and Social Money retained £72,300 to cover the interest payable over the term, plus around £19,500 in fees. The loan was secured over their home by way of a second charge.

Following difficulties with a business, Mr J had a large tax liability and owed money to HMRC. He says that he consulted a financial adviser to discuss raising money from his pension funds. But he was advised to take out a mortgage instead. That would raise enough funds to repay the tax liability as well as clear other debts. He says he was told that a bridging loan was the only option because of problems with his credit file.

Mr J says he was bombarded with calls from the financial adviser, a mortgage broker and Social Money telling him that this sort of lending was common when dealing with situations like his. He says that he was told the monthly payments would be around £3,800. There was no discussion about how the capital would be repaid. He says he never agreed to sell the property to repay as it was his family home. He says he was assured he would be able to re-mortgage at the end of the term when his credit file had improved.

In fact, at the end of the term Mr J and Mrs N were unable to re-finance, and so were unable to repay the loan. Social Money appointed receivers in July 2025. It also appointed solicitors to take action to repossess the property.

Mr J and Mrs N complain that the loan wasn't suitable for them. Mr J says he was never informed of the risks of taking a bridging loan, and if he'd understood his family's home was at risk they would never have gone ahead. He said the loan documentation was altered to say the property would be sold to repay without his knowledge or agreement. He said that Social Money insisted on another loan being paid off with this lending, which left him with insufficient funds to repay the debt to HMRC.

Mr J says they borrowed around £360,000 but are now being asked to repay over £560,000. Social Money is now taking court action to recover the outstanding balance and this is having a serious impact on him and Mrs N, their wider family, and their health, risking leaving them homeless. He says Social Money has refused to discuss the loan with him, address his concerns, or come to an agreement. He says that when the loan was taken out, he was assured he would be able to re-mortgage at the end of the term but that hasn't happened.

Our investigator said we can consider a complaint about how the loan was taken out and what advice Mr J and Mrs N were given, and we could consider a complaint about whether Social Money had agreed at the outset that it would offer a re-mortgage at the end of the

term. He didn't think that part of the complaint should be upheld.

The investigator said that he couldn't consider the other parts of the complaint because Social Money hadn't had the chance to address them first. He referred that complaint to Social Money to consider and respond to, and he explained that Mr J and Mrs N could refer a new complaint to us if they were unhappy with its response.

### **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 agree with the investigator about the scope of this complaint. Under our rules, a complaint has to be raised with the firm responsible first, and the firm has to be given the chance to respond to it. For that reason, I'm only considering the complaint about the circumstances in which the loan was taken out in this decision. The complaint about what happened when Mr J and Mrs N were unable to repay at the end of the term, and what has happened since then, is now being dealt with under a separate reference after it was referred to Social Money to respond to first.

I also can't consider anything to do with the advice Mr J was given by the broker who sold the loan to him. The broker is a separate company to Social Money, and in arranging the loan the broker was acting on behalf of Mr J and Mrs N, not on behalf of Social Money. It was the broker's role to advise Mr J and Mrs N on the nature of the loan and whether it was suitable and appropriate for their circumstances. As the lender, Social Money is not responsible for the broker's actions and not responsible for the advice Mr J and Mrs N were given, or their decision to go ahead with the loan. I can't therefore consider the complaint that the loan wasn't appropriate or the best way of dealing with Mr J's tax problems as part of this complaint.

As the lender, Social Money is responsible for its decision to lend. That means making sure that the lending was affordable for Mr J and Mrs N and that they had a credible way of repaying it at the end of the term. In making that decision, I think it was reasonable for Social Money to rely on what it was told by the broker, unless there was good reason for doubting it.

The broker told Social Money that Mr J and Mrs N wanted to borrow in order to deal with a tax liability arising from Mr J's business. It set out their circumstances. The broker told Social Money that Mr J and Mrs N wanted a bridging loan to meet the tax liability, and because they were unable to obtain more mainstream finance because of past credit problems. Mr J has explained that he had a CCJ on his credit file – although it should have been removed because the debt had been settled, it in fact hadn't been and so was still showing. The broker also said that Mrs N had past credit problems. The broker said that they anticipated being able to take out standard mortgage finance in a year's time, once their credit files had improved, and so were applying for a loan with a 15 month term to give time for re-financing to happen. The broker said that if re-financing didn't prove possible, they were prepared to sell the property as a backup plan.

Mr J says that not correct. They never agreed to sell the property. They always understood that re-financing would be the exit strategy and they were assured that this wouldn't be a problem. They would never have agreed to go ahead if they had understood that their home could be at risk.

As I've explained, I can't consider a complaint about what Mr J and Mrs N were told, or the advice they were given, because that's something the broker – not Social Money – is

responsible for. I can only consider whether Social Money lent responsibly. Taking bridging finance as a short-term solution until more long term finance is available is not unusual; it's one of the standard purposes of a bridging loan (the other being short-term finance until a property can be sold). So in principle I don't think there was anything wrong in Social Money accepting this as Mr J and Mrs N's exit strategy. And while Social Money couldn't have known for sure that Mr J and Mrs N would be able to secure alternative finance at the end of a year, it was plausible that they would be able to do so, especially once Mr J had resolved the issue of the historic CCJ.

I've not seen any evidence that Social Money promised Mr J and Mrs N that it would lend them standard finance at the end of the bridging loan term. It seems that the plan was not that they would convert to a mainstream mortgage with Social Money, but that they would take out new finance with another lender to repay. And their broker was able to obtain an offer of a new mortgage for them – unfortunately, though, the amount that lender was willing to offer wasn't enough to repay both their existing first charge mortgage and the Social Money lending, so Mr J and Mrs N weren't able to go ahead with that offer. But while it unfortunately didn't work out in practice, I don't think that was something Social Money ought reasonably to have been able to predict at the time it decided to lend. At that time, re-financing was a plausible option that it was reasonable for Social Money to rely on as the exit strategy when deciding whether to lend.

Mr J also says that Social Money paid off an existing second charge loan of around £79,300, meaning that the amount actually released to him and Mrs N was less than the borrowing amount and not enough to cover the tax liability. It wasn't unreasonable for Social Money to require the existing second charge loan to be paid off so that it took second charge. It was for the broker to advise Mr J and Mrs N about this, and to take that into account when advising on whether this loan met their requirements.

Overall, and while I sympathise with the position Mr J and Mrs N found themselves in, I don't think I can fairly uphold their complaint. Their concerns about whether the loan was appropriate for their situation are matters for the broker that sold it. And, based on the information it had available at the time, I don't think Social Money lent irresponsibly. I've not considered what's happened since the end of the term when Mr J and Mrs N were unable to repay the balance, as that's part of a separate complaint.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs N to accept or reject my decision before 7 May 2026.

Simon Pugh  
**Ombudsman**