Complaint

Mr T complains that he is in financial difficulties but Progressive Money Limited have not given him the help they should. He says Progressive Money Limited charged an excessive amount of interest on his loan and are refusing to remove it. He wants them to remove the interest so he can repay the loan in a reasonable amount of time.

Background

Mr T took out a loan with Progressive Money online in April 2018 for a period of 72 months. The loan was for £13,000 and had a weekly repayment of £88.94. The annual percentage rate was 34.17%. The total charge for the loan (including interest and fees) was £14,748.24. The total amount to repay was therefore £27,748.24.

Mr T was unable to keep up repayments on the loan within a few months of taking it out and ended up on a debt management plan. He asked Progressive Money to remove the interest on the loan and allow him to just pay back the money he borrowed – saying other creditors had already agreed to do the same.

Progressive Money refused to remove the interest. They said they had shown the correct level of forebearance by not applying additional interest and charges since the account fell into arrears. They said they would not remove the interest charged on the loan itself. his.

Mr T then brought his complaint to this service. Although Mr T had put forward a complaint about the way Progressive Money had treated his financial difficulties, our adjudicator used our inquisitorial remit to look into whether it had been irresponsible of Progressive Money to give Mr T the loan in the first place.

The adjudicator concluded that the loan had been given irresponsibly. This was because of the large number of credit commitments and the amount of credit Mr T had taken out, particularly in the 12 months before the loan. The adjudicator thought this should have prompted Progressive Money to carry out further checks on Mr T's financial circumstances. Had they done so, they would have found that Mr T was spending over half of his declared income on gambling and was having real difficulties managing his money – which meant he wasn't in a position to repay this loan in a sustainable way.

Progressive Money disagreed with our adjudicator and so the complaint has come to me to decide. In summary, Progressive Money say Mr T's complaint is not and never was about irresponsible lending and that, in any event, they did not lend irresponsibly. They say they carried out detailed checks before giving Mr T the loan.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

First of all I've looked at what the real nature of Mr T's complaint is. And I agree with our adjudicator that, as we have an inquisitorial remit, we can consider whether or not it was irresponsible for Progressive Money to have lent Mr T the money in the first place. Particularly given that he is complaining about the excessive amount of interest, the overall level of debt he is now in and that he fell into financial difficulties soon after taking this loan out.

Progressive Money argue that the reason Mr T has fallen into financial difficulties is because of the debt he took on after the loan they gave him. But I think it's fair to consider what Mr T's financial situation was at the point he took the loan out. Progressive Money have not been disadvantaged by this – as they have been given the chance to look into this aspect of the case and have provided a response detailing why they don't agree that they lent irresponsibly.

So I've gone on to consider Mr T's complaint about irresponsible lending.

In considering what is fair and reasonable I have taken into account relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and what I consider to have been good industry practice at the time.

Taking this into account, I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstance of this complaint are:

- Did Progressive Money complete reasonable and proportionate checks to satisfy itself that Mr T would be able repay the loan in a sustainable way? If not, would those checks have shown that Mr T would have been able to do so?

- Did Progressive Money act unfairly or unreasonably in some other way?

If I determine that Progressive Money did not act fairly and reasonably in its dealings with Mr T and that he has lost out as a result, I will go on to consider what is fair compensation.

Did Progressive Money complete reasonable and proportionate checks to satisfy itself that Mr T would be able to repay his loan in a sustainable way?

The regulations in place when Progressive Money lent to Mr T required it to carry out a reasonable assessment of whether Mr T could afford to repay his loan in a sustainable manner. This is sometimes referred to as an "affordability assessment" or an "affordability check".

The affordability check should have been "borrower-focused" – so Progressive Money had to think about whether repaying the loan sustainably would cause financial difficulties or adverse consequences for Mr T. In other words, it wasn't enough for Progressive Money to only think about the likelihood that it would get its money back without considering the impact of the loan repayments on Mr T himself.

The checks Progressive Money carried out also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will depend on a number of factors including, but not limited to, the particular circumstances of the borrower (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they are seeking. Even for the same customer, a proportionate check will more likely than not look different for different loan applications.

In light of that, I think reasonable and proportionate checks should generally be more thorough:

- the lower a customer's income (as it could be harder to make any loan repayments from a lower income);

- the higher the amount to be repaid (as it could be harder to meet a higher repayment from a given income);

- the longer the term of the loan (as the total cost of the loan is likely to be greater and the customer is required to make payments for an extended period).

There may also be other factors which could affect how detailed a proportionate check should be when it comes to a loan application – including, but not limited to, any indications of borrower vulnerability and any foreseeable changes in the consumer's future circumstances. I've thought about all the relevant factors in this case.

I've carefully considered what reasonable and proportionate checks should have looked like when Progressive Money was in the process of approving the loan for Mr T. And I've thought carefully about what checks Progressive Money say they carried out and whether those were proportionate in the circumstances.

The loan was for a high amount and was to be paid over a significant period of time - six years. Due to the high interest charged, the overall amount Mr T would have to pay back was more than twice what he had borrowed. In these circumstances, I would have expected Progressive Money to carry out detailed checks when assessing whether or not to give Mr T this loan.

Progressive Money say they did carry out a detailed assessment of Mr T's finances and that it was fair for them to lend based on their checks.

I note Progressive Money asked Mr T for details of his income and expenditure and they also completed a credit search. There were no defaults, missed or late payments on the credit report. But the search showed that – as well as taking a mortgage less than a year earlier – Mr T had also taken out around £50,000 worth of debt in the space of a year across various lenders.

As well as carrying out a credit search, the underwriters also spoke to Mr T on the phone - to ask about his existing credit commitments, what they were used for and the purpose of this loan. Progressive Money has provided us with a copy of this call recording from February 2018. During this call Mr T confirmed that the funds from this loan would be used for home improvements. He explained that his existing credit commitments related to borrowing for an extension, to buy a car, to buy furniture and to carry out a balance transfer. He also told them he would be making overpayments and was not struggling financially.

Progressive Money say Mr T said he would be using some of the funds from the new loan to pay off some of his existing debt. From the call recording I've heard mentioned above, it appears that initially Mr T didn't intend to consolidate. However, Progressive Money have provided us with a further call recording from April 2018 and this appears to indicate that Mr T had decided to use some of the funds to consolidate. Unfortunately, I have not heard any call recordings in between the two mentioned so I don't know what happened to change Mr T's mind or what further checks were conducted in between. But I note Progressive Money did repay some of Mr T's existing debt (just over £3,500). The rest of the loan money was transferred to Mr T's account.

I accept that Progressive Money did gather some detailed information from Mr T. And Progressive Money say the explanations they received from Mr T about his existing debts were plausible. However, I think the information on Mr T's credit report ought to have alerted Progressive Money to concerns that Mr T was having some difficulties in managing his money and they should have reacted to this by carrying out further detailed checks. I don't think just asking Mr T about this was sufficient.

I appreciate Mr T's credit file showed no missed payments and no defaults. But I think it was significant, and concerning, that he'd taken out around £50,000 worth of debt across a number of lenders in the past year. One of these lenders was a lender associated with people struggling with finances. Only some comparatively smaller lending was being consolidated and Progressive Money's loan would add considerably to Mr T's overall debt levels.

So, I think based on the information it had – and given the size and term of the loan – Progressive Money should reasonably have done more to get a clearer picture of Mr T's financial situation before deciding whether to lend. I don't think the checks it carried out were reasonable and proportionate in Mr T's case.

Would proportionate checks on this loan have indicated to Progressive Money that Mr T would have been unable to repay it in a sustainable manner?

As I don't think Progressive Money carried out proportionate checks, I've gone on to consider what would have happened had Progressive Money carried out further checks.

I can't be sure what further checks would have been done or what they would have shown, so we've asked Mr T for more information about his circumstances at the time. He's sent us his bank statements in the lead up to the loan application and I think it's likely that the information in these statements is the sort of information the lender might have seen, if it'd done better checks to start with. So I've carefully considered these bank statements. I've started off by looking at the bank statements in the three months before the loan application.

Although Mr T's net income from his employment was around £3000 per month, the bank statements show large amounts of money entering and leaving Mr T's account. The money entering Mr T's account in January 2018 was just under £23,000 and the money leaving his account was just under £25000. In February and March 2018 the money entering his account was just under £17,000 and the money leaving his account was just under £14,500 and just under £18500 respectively.

Mr T's bank statements show he was spending large amounts of money on gambling and cryptocurrency transactions – including his own income and borrowed money. For example, Mr T's February 2018 statement shows that Mr T had used more than half of a £8,000 loan he had taken out from another provider for gambling purposes. Due to this I went further back in Mr T's statements to see what he used the loan in November 2017 (£10000) for. He had told Progressive Money that this was for an extension. However, had Progressive Money tried to verify this information, it would have found that this was not correct. I can see from Mr T's November 2017 bank statement again part of this was used to bring him back into credit following being overdrawn due to gambling transactions - I note that even on the same date that Mr T had received the

£10000 loan he had already spent over £8500 on gambling - and he also went on to use some of the funds for cryptocurrency transactions..

Looking at Mr T's statements, I can see that there are what seem to be some substantial payments back into the account, including gambling wins and possible trading successes. But the overall trend was concerning, as he was being pushed deeper and deeper into debt. When he applied for a loan, Mr T was already around £50000 in debt and was overdrawn by a considerable amount of money – over £4,000. And this loan was pushing him further into debt.

So I think had Progressive Money carried out the checks they ought to have, they would have realised that Mr T was having difficulties managing his money and was spending a disproportionate amount of money, including the loans he had been taking out, for gambling purposes. And as such it was clear he was not in a position to be able to repay the loan in a sustainable manner.

Therefore I think it was irresponsible of Progressive Money to have provided Mr T with the loan.

Did Progressive Money act unfairly or unreasonably in some other way?

Although Mr T has complained that Progressive Money acted unfairly towards him by refusing to remove the interest on this loan, I don't think it's necessary for me to make any findings on whether I think Progressive Money acted unfairly in this way. This is because I don't think it makes a difference to the outcome of this complaint as I've already concluded that Mr T's complaint about the sale of the loan should be upheld.

Putting things right

Where a business has done something wrong, our service usually aims to put the consumer back in the position they would've been in had the incident not occurred.

However, in cases where a business has lent irresponsibly, this isn't entirely possible – as the lending provided cannot be undone.

In this case, I think it's fair that Mr T should only have to repay the money he borrowed and had the use of. So I think Progressive Money should refund all of the interest and charges Mr T has paid on his loan.

While I think it's fair that Mr T's credit file is an accurate reflection of his financial history, I don't think it's fair that he should be disadvantaged by Progressive Money's decision to lend to him irresponsibly. Therefore, under the circumstances, I think Progressive Money should also remove any negative information recorded on Mr T's credit file associated with this loan.

To settle Mr T's complaint, I'm recommending Progressive Money does the following:

A) Progressive Money should add together the total of the repayments made by Mr T towards interest, fees and charges on this loan, not including anything Progressive Money has already refunded.

B) Progressive Money should calculate 8% simple interest* on the individual payments made by Mr T which were considered as part of "A", calculated from the date Mr T originally made the payments, to the date the complaint is settled.

C) Progressive Money should remove all interest, fees and charges from the balance on the upheld outstanding loan, and treat any repayments made by Mr T as though they had been repayments of the principal on this outstanding loan. If this results in Mr T having made overpayments then Progressive Money should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Progressive Money should then refund the amounts calculated in “A” and “B” and move to step “E”.

D) If there is still an outstanding balance then the amounts calculated in “A” and “B” should be used to repay any balance remaining on the outstanding loan. If this results in a surplus then the surplus should be paid to Mr T. However, if there is still an outstanding balance then Progressive Money should try to agree an affordable repayment plan with Mr T. Progressive Money shouldn’t pursue outstanding balances made up of principal it has already written-off.

E) Progressive Money should remove any adverse information recorded on Mr T’s credit file in relation to this loan.

* HM Revenue & Customs requires Progressive Money to take off tax from this interest. Progressive Money must give Mr T a certificate showing how much tax it’s taken off if he asks for one.

My final decision

For the reasons given, I uphold Mr T’s complaint against Progressive Money Limited and require it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr T to accept or reject my decision before 21 February 2021.

Navneet Sher
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