

Complaint

Mrs H has complained about a loan Progressive Money Limited (“Progressive”) which she says was unfairly lent to her. She says the loan should never have been granted and it was irresponsibly lent.

Background

Progressive provided Mrs H with a loan for £6,000.00 in August 2018. This loan had an APR of 60.49% and the total amount to be repaid of £15,975.00, which included interest fees and charges of £9,975.00 (made up of interest of £8,985.00, an acceptance fee of £600 and an administration fee of £390), was due to be repaid in 60 monthly instalments of around £266.25.

One of our investigators reviewed what Mrs H and Progressive had told us. He thought that Progressive hadn’t acted unfairly by providing this loan to Mrs H and so didn’t think that the complaint should be upheld. Mrs H disagreed and asked for an ombudsman to review her complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs H’s complaint.

Having considered everything, I’ve not been persuaded to uphold Mrs H’s complaint. I’ll explain why in a little more detail.

Progressive needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Progressive needed to carry out proportionate checks to be able to understand whether Mrs H could afford to make her repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to provide loans to a customer irresponsibly.

Progressive says Mrs H’s loan application was manually assessed by an underwriter after she provided details of her monthly income and information on her expenditure. It says it

cross-checked Mrs H's declarations against information on a credit search it carried out, bank statements that it obtained from Mrs H and questions that it asked her during a telephone interview.

In Progressive's view all of the information it gathered showed that Mrs H could afford to make the repayments she was committing to. On the other hand, Mrs H has said she was already in difficulty and couldn't afford this loan.

I've carefully thought about what Mrs H and Progressive have said.

It's clear that Progressive did obtain a significant amount of information before it decided to proceed with Mrs H's application. And this information does appear to suggest that, at the time at least, the monthly loan repayments were affordable for Mrs H. I accept that Mrs H's actual circumstances may not have been fully reflected either in the information she provided, or the information Progressive obtained.

I know that Mrs H did have historic difficulties with credit in the form of County Court Judgments ("CCJ") and outstanding debts. The first thing to say is that the CCJs occurred five and three years prior to this loan application. So I don't think that it was unreasonable for less weight to have been placed on these applications. Furthermore, Mrs H was asked about her historic difficulties with credit. And the explanation she provided for the difficulties with the accounts concerned wasn't implausible or unreasonable.

I think it's also worth me explaining that Progressive could only make a reasonable decision based on the information it had available at the time. And I'm satisfied that information gathered did appear to suggest that at the time at least, the monthly payments to this loan were affordable.

Given the circumstances here, and the steps taken to address the inconsistencies, I don't think that Progressive did anything wrong when providing this loan to Mrs H - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

Overall and having considered everything, I don't think that Progressive acted unfairly or unreasonably when lending to Mrs H. It didn't simply accept what Mrs H said about her circumstances when deciding whether to lend - instead it manually underwrote the loan after obtaining a significant amount of information backing up the monthly payments being affordable for her. As this is the case, I cannot reasonably and do not uphold this complaint.

I appreciate this is likely to be very disappointing for Mrs H as it's clear she feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like remind Progressive of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mrs H's loan and it be the case that she is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 13 November 2023.

Jeshen Narayanan
Ombudsman