

Complaint

Miss O 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 Miss O with a loan for £15,000.00 in September 2018. This loan had an APR of 31.7% and the total amount to be repaid of £44,686.80, which included interest fees and charges of £29,686.80 (made up of interest of £27,796.80, an acceptance fee of £1,500.00 and an administration fee of £390), was due to be repaid in 120 monthly instalments of around £372.39.

One of our investigators reviewed what Miss O and Progressive had told us. He thought that Progressive hadn’t acted unfairly by providing this loan to Miss O and so didn’t think that the complaint should be upheld. Miss O 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 Miss O’s complaint.

Having considered everything, I’ve not been persuaded to uphold Miss O’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 Miss O 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 Miss O’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 Miss O's declarations against information on a credit search it carried out, bank statements that it obtained from Miss O and questions that it asked her during a telephone interview.

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

I've carefully thought about what Miss O and Progressive have said.

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

However, having listened to the recording of the call Miss O had with Progressive's underwriter it's clear that it was Miss O intention to use the majority of the funds from this loan to settle existing debts. I can see Miss O did provide Progressive with an undertaking that she would be using £9,500.00 of these funds to repay other debts. Miss O was also asked if she was sure she wanted to borrow as much as £15,000.00 even though she was going to only going to consolidate balances amounting to £9,500.00 and she confirmed that she did as she wanted to repay another loan taken to purchase a sofa.

I don't know if Miss O did go on to do this. But Progressive could only make a reasonable decision based on the information it had available at the time. And I'm satisfied that the proceeds of this loan could and should have been used to reduce the balances on some of Miss O's existing accounts in the way that Miss O had committed to.

For the sake of completeness, I'd also add that even though mentioned clearing the balance on one of the loans that wasn't being consolidated with bonuses from work in the following year, the affordability assessment was nonetheless based on Miss O making the payments to this loan.

It's also worth noting that as this was a first loan Progressive was providing to Miss O, there wasn't a history of Miss O obtaining funds and then failing to consolidate debts elsewhere in the way she committed to. So Progressive was reasonably entitled to believe that Miss O would be left in a better position after being provided with this loan – particular given the significant amount of information gathered pointed to this being the case.

I accept it possible that Miss O's full circumstances may not be reflected in the information Progressive gathered or in the information she has since provided, notwithstanding just how much information was obtained. For example, I note that Miss O has said that her outgoings after her recent house move ended up being higher than she'd anticipated or what showed in her bank statements. And her expenditure continued to increase as a result of the wider economic circumstances. But it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong.

Given the circumstances here, and the lack of obvious inconsistencies, I don't think that Progressive did anything wrong when providing this loan to Miss O - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. I don't think that Progressive could reasonably have foreseen the unprecedented events over the coming years which have had such a profound impact wider economy and have undoubtedly impacted on Miss O's disposable income.

I've also considered what Miss O has said about being told that the capital would reduce over time. I can confirm that this is the way that loans typically work – insofar as they are based on an amortisation schedule where the monthly repayment is made up of all of the interest accrued in a month and a portion of the capital advanced. Albeit the amount that a balance reduces and how quickly this happens depends on the term of the loan.

For example, where a loan is taken over a longer term the capital is repaid over a longer period resulting in it reducing more slowly. In this case as the term of the loan was 10 years and it would have taken a longer period before a larger portion of the monthly repayment went towards the capital owing rather than interest.

Furthermore, having listened to Miss O's call with the underwriter, it is clear that Miss O queried whether the interest rate would be lower if she took her loan over a longer term. She had asked this question because she was concerned about the amount she had to pay to exit a different loan early. The underwriter did confirm that the APR would be lower if the loan was taken over a longer term.

However, he also went on to say that this could be misleading as a longer term would see Miss O pay more interest overall. And crucially Miss O was told that if she did decide to settle the loan early she'd have to pay all of the capital outstanding plus 28 days interest. I've not seen anything to suggest that this isn't what happened. So I don't think that Miss O was misled over how the loan would be amortised and that she chose to opt for a longer term even though was made aware this could cost her more overall.

Finally, I've also seen what Miss O has said about being unhappy with the fact that she approached a broker for a loan of £3,000.00 and yet instead ended up with a loan where she had to repay over £40,000.00 over ten years. I don't know about what discussions Miss O had with the broker prior to the underwriting call she had with Progressive.

But having listened to the Progressive underwriter's call with Miss O it's clear that she was asked about whether she was sure she wanted to borrow as much as £15,000.00 (as well as a repayment term of ten years) on more than one occasion. So I don't think that Progressive, which is the respondent firm I'm considering this complaint against, is responsible for Miss O borrowing more than she might have initially wanted to. Furthermore, if Miss O is unhappy with the conduct of the broker, then this is a matter that she would need to take up with it rather than Progressive.

Overall and having considered everything, I don't think that Progressive acted unfairly or unreasonably when lending to Miss O. It didn't simply accept what Miss O said about her circumstances when deciding whether to lend and instead 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 Miss O as it's clear she feels strongly about this matter. And I'm also sorry to hear that she's experiencing difficulty too. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 2 October 2023.

Jeshen Narayanan
Ombudsman