

## **The complaint**

Mrs L complains that Progressive Money Limited (“Progressive Money”) irresponsibly granted her a loan she couldn’t afford to repay.

## **What happened**

In July 2017 Mrs L took out a fixed sum loan agreement for a loan for £3,500 that was payable over 72 months. Part of the loan was used for consolidation of existing borrowing and the rest to help fund a family celebration. Under the terms of the loan agreement Mrs L was required to pay monthly repayments of £144.23. The total repayable under the agreement was £10,395.92.

Mrs L says that Progressive Money didn’t complete adequate affordability checks. She is also unhappy with the interest and charges that were added to the loan.

Progressive Money says it carried out a thorough assessment which included checks that were fair and proportionate.

Our Investigator didn’t recommend the complaint be upheld. She thought Progressive Money didn’t act unfairly or unreasonably by approving the loan.

As Mrs L didn’t agree, her complaint has been passed to me for a final decision.

## **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.

Progressive Money will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I’d like to reassure Mrs L that I’ve looked at the complaint afresh and independently reviewed all the available information, including what Mrs L said in response to our investigator’s view. Having done so, I am not upholding Mrs L’s complaint for broadly the same reasons as our investigator. I’ll explain my reasons.

The rules don’t say exactly what a lender should look at before agreeing to lend, but reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look to be affordable. A proportionate check might also require the lender to find out the borrower’s credit history and also take further steps to verify the borrower’s overall financial situation.

If reasonable and proportionate checks weren’t carried out, I need to consider if a loan

Would have been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should have realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

When Mrs L applied for this loan, Progressive Money asked her for information about her finances and carried out a credit check. I've carefully listened to the call recording of Mrs L's discussion with Progressive Money when it gathered information about her income and expenditure. I think it's fair to say this was a detailed and lengthy discussion over the course of an hour or so. Progressive Money pressed Mrs L for specific details about exactly what the loans it saw in her credit history had been taken out for and how she spent her money.

Progressive Money then went on to assess Mrs L's financial situation by checking her bank account, checking her actual income and breaking down her spending across various categories. As a result, it verified that she had a regular monthly income of around £1,000 and committed monthly expenditure of around £700.

Taking all this into account, the figures Progressive Money recorded didn't suggest that Mrs L would have any difficulty meeting the loan repayments for this loan. It looked like Mrs L should have had ample disposable income to cover the monthly repayments of £144.23 she had signed up to pay each month.

The credit checks Progressive Money carried out showed that Mrs L wasn't involved in any sort of arrangement with creditors and bankruptcy wasn't flagged up. She also had no active county court judgments registered and no record of any recent defaults on her credit record.

I don't think it was unreasonable for Progressive Money to lend here – especially as there wasn't anything obvious in the information it had to suggest Mrs L wouldn't be able to repay the loan in a sustainable way. I think the repayment period of ten years was long for a loan of this size but I realise this reflects Mrs L's ability to repay and is in line with the type of lending Progressive Money typically provided. And, having seen the credit check and income and expenditure breakdown it obtained, I don't think proportionate checks would have required Progressive Money to probe any more deeply into Mrs L's finances.

It follows that I don't think Progressive Money had any reason to think that Mrs L wouldn't be able to sustainably repay the loan and it went ahead only when it had provided information explaining the main loan costs and Mrs L said she wanted to proceed. I know Mrs L is unhappy about the level of interest, as well as the various fees and charges that were added to her loan. But having looked at the paperwork she was sent as part of the application process, as well as listening to the phone calls she had with Progressive Money, I think these were made clear to her. Mrs L therefore had the opportunity not to go forward with the agreement and finance if she didn't want to.

It follows that, based on what I've seen, I don't think that taking on the monthly payments required under the agreement could be considered to be unaffordable at the time Mrs L applied for the loan. I therefore don't think Progressive Money acted unfairly in approving the finance application.

I am sorry to have to disappoint Mrs L on this occasion but I hope the reasons I've set out help her to understand why I've reached this decision.

**My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 25 August 2023.

Michael Goldberg

**Ombudsman**