

The complaint

Mr E is unhappy that a fixed sum loan agreement he took out with Propensio Finance Limited was misrepresented to him.

What happened

In July 2020, Mr E was approved for a fixed sum loan agreement with Propensio. The agreement was for £6,550 over 10 years with monthly payments of £119.13. The loan was to be used to fund home improvements and didn't come into effect until November 2020 when the home improvement work had been completed to Mr E's satisfaction.

In July 2022, after receiving the first annual statement, Mr E complained to Propensio that he was mis-sold the agreement by the introducing credit broker – he understood the agreement was to be for a term of 5 years, and he says he would never have taken the loan if he'd known it was for a longer term.

Propensio didn't uphold Mr E's complaint, so he brought it to the Financial Ombudsman Service for investigation.

Our investigator thought Mr E had sight of the loan agreement on at least two occasions before the drawdown of the funds, and the agreement clearly stated the term was 10 years. He also said that Mr E hadn't challenged the terms of the agreement with Propensio during any of the conversations he'd had with them prior to the funds being released. Because of this the investigator didn't agree that Mr E had been mis-sold the agreement.

Mr E didn't agree with the investigator. He said the investigator had ignored that it was the salesperson who'd explained the agreement to him, and that he *"had little dealings with Propensio."* He again explained that he only became aware of the term after receiving the first annual statement, when he could see how little had been paid off the balance.

Mr E clarified that the salesperson *"said to me that Propensio usually give you 10y to finish paying off the loan, but I can pay it off within 5yrs which is what I originally wanted. But on inspection of the annual statement I realised it was mandatory for me to keep £119.23 for ten years to finish paying off the loan."*

In addition, Mr E also explained about his current financial and health situation, providing evidence of this, and saying that the loan was never affordable when he took it out. He also said that *"during the my dispute with Propensio I had mentioned to them I can't to pay this money [sic], which is what this dispute was mostly about."*

Because of this he's asked for an ombudsman to make 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr E was supplied with funds under a fixed sum loan agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

Mr E has complained that the loan has been misrepresented. When looking at complaints about misrepresentation, I'm looking at two things – whether there was a false statement of fact and, if there was, whether it was the false statement of fact that induced Mr E to choose this particular loan.

I've seen a copy of the agreement Mr E electronically signed on 15 July 2020. And both the agreement and the pre-contract credit information supplied to Mr E clearly state the term of the loan was 10 years. They also clearly state the monthly payment, the interest rate being applied, and the total amount Mr E would need to pay if the agreement ran its full term.

What's more, in his comments on the investigator's view, Mr E has said that he was aware that the term of the agreement was 10 years (which is why he never queried this) but he understood that he was able to repay this sooner if he wanted to.

Given the above, I'm satisfied there was no false statement of fact regarding the term of the agreement. And, as there was no false statement of fact, then the agreement wasn't misrepresented to Mr E.

Mr E has also commented that it was his understanding that he could repay the agreement over a shorter period, but he's not allowed to do this. But there's nothing in the agreement that means that Mr E must keep the agreement for the full term. And, under the heading *"Early Repayment"* it clearly states *"at any time before the final repayment is due you have a right to pay off some or all that you owe us ... when you make a partial early repayment, we will work out any rebate to which you are entitled, and the balance of the early repayment and any rebate will be applied to reduce the Final Repayment and then reduce the term of the agreement."*

Given this, I'm satisfied that Mr E can make additional payments to Propensio that will reduce the interest that's being charged and reduce the overall term. However, these payments will need to be over and above the regular £119.13 payments required by the agreement. And, by just making the £119.13 a month payments, the term will remain unaltered at 10 years, and the total amount repayable will remain at the £14,295.60 as specified in the agreement.

Turning now to Mr E's comments about the affordability of the loan agreement, and that this is his main area of dispute. From what I've seen, Mr E didn't complain to Propensio that the loan was unaffordable, nor was this something they addressed in their complaint response letter. What's more, it's not something Mr E raised in the Complaint Form he sent to us in November 2022.

The rules governing what we can and can't look into don't allow us to consider a complaint unless the financial business has had the opportunity to investigate it first. And, as stated above, Mr E hasn't complained to Propensio that the loan wasn't affordable when it was approved. So, this isn't something we're currently able to look into.

As such, taking all of the above into consideration, I won't be asking Propensio to do anything more.

My final decision

For the reasons explained, I don't uphold Mr E's complaint about Propensio Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 28 August 2023.

Andrew Burford
Ombudsman