

Complaint

Miss F has complained about a loan which she says Progressive Money Limited (“Progressive”) unfairly lent to her. She says the loan was never affordable and so should never have been granted to her in the first place.

Background

Progressive provided Miss F with a loan for £7,500.00 in July 2018. This loan had an APR of 43.81% and a term of 72 months. This meant that the total amount to be repaid of £18,715.20, which included interest fees and charges of £11,215.20 (made up of interest of £10,075.20, an acceptance fee of £750 and an administration fee of £390), was due to be repaid in 71 monthly instalments of around £259.54 followed by a final instalment of £259.46.

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

Miss F disagreed with our investigator 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 F’s complaint.

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

In Progressive's view although the credit search showed that Miss F had a historic default, all of the rest of the information it gathered showed that Miss F could comfortably afford to make the repayments she was committing to. On the other hand, Miss F has said she was already in difficulty and couldn't afford this loan.

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

It's clear that Progressive did obtain a significant amount of information before it decided to proceed with Miss F's application. And this information does appear to suggest that, at the time at least, the monthly loan repayments were affordable for Miss F. I accept that Miss F'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 F did have outstanding debts.

However, having listened to the recording of the call Miss F had with Progressive's underwriter it's clear that it was Miss F intention to use the majority of the funds from this loan to settle existing debts. I don't know if Miss F did go to apply for further credit or loans after this one. But Progressive could only make a reasonable decision based on the information it had available at the time. And I'm satisfied that a significant portion of the proceeds of this loan could and should have been used to reduce the balances on some of Miss F's existing accounts in the way that Miss F had committed to.

It's also worth noting that as this was a first loan Progressive was providing to Miss F, there wasn't a history of Miss F obtaining funds and then failing to consolidate debts elsewhere in the way she committed to. So Progressive was reasonably entitled to believe that Miss F 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 F'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 F has said that her income was less than what was recorded as she no longer had a second job at the time of her application.

But Progressive looked at Miss F's latest tax return and this did validate what was recorded. As this was Miss F's latest tax return and she didn't take any steps to explain that the earnings recorded on it was not in line with what she was earning at the time of her application, I don't think that it was unreasonable for Progressive to progress with this as a reasonable estimation of Miss F's income.

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 F - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. In these circumstances, I don't think that Progressive could reasonably have realised that Miss F didn't have the funds to make the repayments to this loan.

Overall and having considered everything, I don't think that Progressive acted unfairly or unreasonably when lending to Miss F. It didn't simply accept what Miss F 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 F 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 F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 16 January 2024.

Jeshen Narayanan
Ombudsman