DRN-3462575

The complaint

Mrs D and Mr D (Mr and Mrs D) took out a loan with Progressive Money Limited in 2017. They complain that the loan was mis-sold and that Progressive Money Limited didn't consolidate all the loans that were scheduled to be repaid.

What happened

In December 2017 Mr and Mrs D needed a loan urgently to travel abroad for family reasons. They already had several loans from other lenders. They applied online to Progressive Money.

Progressive Money said it would lend them £4,000 repayable over 60 months with a monthly repayment of £154.97. Mrs D says she was told it was a condition of the loan that Progressive would settle six other loans. It paid them the balance of £989.08 but didn't settle one of the loans. Mr and Mrs D only found this out the following month when the lender in question contacted them.

Mrs and Mr D complained to Progressive Money. They also said they wouldn't have taken out the loan if they'd known that all their existing loans wouldn't be paid off. Progressive Money apologised for overlooking the fact that that Mr and Mrs D had two loans with one of the lenders. It also said the £4,000 new loan wasn't enough to repay all their existing loans. Progressive Money apologised and said it would pay any late payment or missed payment charges if Mr and Mrs D provided evidence.

Mr and Mrs D later complained that Progressive Money had mis-sold the loan to them. As Progressive Money didn't agree, they brought their complaint to us. Our adjudicator upheld the complaint in part. He didn't think Progressive Money was wrong to have offered the loan to Mr and Mrs D but he thought it should pay them £75 compensation for failing to pay off one of their existing loans.

As Mr and Mrs D didn't agree, the complaint has been passed to me.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Progressive Money complete reasonable and proportionate checks to satisfy itself that Mr and Mrs D would be able to repay the loan in a sustainable way?

- If not, would those checks have shown that Mr and Mrs D would have been able to do so?
- Did Progressive Money act unfairly or unreasonably in some other way?

The rules and regulations in place required Progressive Money to carry out a reasonable and proportionate assessment of Mr and Mrs D's ability to make the repayments under the loan agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Progressive Money had to think about whether repaying the loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn't cause Mr and Mrs D undue difficulty or significant adverse consequences. That means they should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment they had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on their financial situation.

In other words, it wasn't enough for Progressive Money to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Mr and Mrs D**.** Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr and Mrs D's complaint.

I can see Progressive Money asked for certain information from Mr and Mrs D before it approved the loan. It asked for details of their income and living expenses. And it validated these by obtaining recent bank statements. It also checked their credit files to understand their existing monthly credit commitments and credit history. It further investigated its findings on calls with Mrs D prior to approving the loan. From these checks combined Progressive Money concluded the loan was affordable for them. From what I've seen, I think the checks that it carried out before lending to Mr and Mrs D were reasonable and proportionate.

I think Progressive Money made a fair lending decision based on the information it gathered. I'll explain why.

When Mr and Mrs D applied for the loan, it was clear they were having some financial problems as they'd taken out a number of payday loans. But they explained to Progressive Money how they'd come to have unexpected expenses at that time and also provided evidence that they'd repaid some of them.

The results of the credit check showed that Mr and Mrs D had faced some financial problems in the past. Mr D had 5 delinquent accounts in the last 12 months and 1 default in the last 36 months. There were also some historic defaults. Mrs D explained that Mr D had been made redundant previously which meant they had been struggling on one salary for a while. She also said she was in dispute with another lender. I can understand why Progressive Money accepted Mrs D's explanations.

Progressive Money did an affordability assessment which showed that Mr and Mrs D had monthly disposable income of £1,016.09. That was based on their monthly income including disability living allowance of £342.40. The disability living allowance was intended to cover the extra costs involved in looking after a child with a disability. So I don't think Progressive Money should have taken that part of their income into account and it should have worked on the basis that they'd have £673.69 disposable income.

Included in the calculation of expenditure was a total of £813.71 which went on repaying unsecured loans, secured loans, credit cards, mail order accounts and past defaults. I can see from Mr and Mrs D's bank statements that they were paying about this amount in the month before they took out the loan with Progressive Money. That sum would reduce with the credit commitments that would be repaid directly by Progressive Money. The bank statement showed payments to payday lenders as well. But I think it was fair for Progressive Money to ignore these in its affordability calculation as the outstanding ones would be repaid out of its loan. So I think it was reasonable for it to assume that the new loan repayment of £154.97 would be affordable for Mr and Mrs D.

I appreciate that it must have been very disappointing for Mr and Mrs D when they realised that not all their short term loans had been repaid. Progressive Money has apologised for not making this clear in advance to Mr and Mrs D. Mrs D has recently said that they could have cancelled the loan if they'd been advised of the oversight within the 14 day cooling off period. But by that time Progressive Money had paid off five other lenders. So I think Mrs D was correct in her earlier assessment that they couldn't realistically have cancelled the loan at that stage. All in all I think it's fair for Progressive Money to pay compensation of £75 for the trouble and upset caused to Mr and Mrs D by this.

I think Progressive Money's offer to pay any charges incurred by Mr and Mrs D as a result of this was reasonable. Mr and Mrs D should provide Progressive Money with evidence of such charges if they wish to pursue a claim for this.

I've also thought about whether Progressive Money acted unfairly in some other way and I haven't seen any evidence that it did.

Putting things right

I think it is fair and reasonable for Progressive Money to pay Mr and Mrs D compensation of £75.

My final decision

For the reasons given above, I uphold Mr and Mrs D's complaint and require Progressive Money Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 5 July 2022.

Elizabeth Grant
Ombudsman