DRN-1730672

The complaint

Mr J says Provident Personal Credit Limited lent to him irresponsibly. He says Provident didn't make proper financial checks to see if he could afford the lending. And this led to him having extreme financial problems. In particular he says that his ongoing debt was sold to a third party and he entered into an arrangement to pay this loan, and some other credit, that ended in 2018.

What happened

This complaint is about six home collected credit loans Provident provided to Mr J between November 2006 and December 2010. I've set out below an overview of Mr J's borrowing based on the information that Provident provided us.

loan number	date started	amount borrowed	term (weeks)	date ended
1	17/11/2006	£500	144	27/03/2007
2	30/07/2007	£1,000	50	04/03/2008
3	30/12/2008	£700	57	14/12/2010
4	23/03/2009	£300	106	01/12/2020
5	24/11/2009	£1,000	55	01/12/2009
6	14/12/2010	£1,725	55	outstanding

I understand that loan 3 is a 'solve' loan. This loan would've been started to repay an outstanding debt Mr J had with Provident. Provident says that no interest was charged, although Mr J may have incurred costs.

Our adjudicator partially upheld the complaint. He thought that Provident was wrong to have approved loan 6. Mr J disagreed with the adjudicator's opinion. He thinks that all of the lending was wrong. So, as no agreement has been reached 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 high cost credit - including all of the relevant rules, guidance and good industry practice - on our website.

Provident needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr J could repay the loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Provident should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer'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).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

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

I can't consider loan 1 as it was sold before April 2007. I don't have the power to consider any home credit loans that were taken out before this date.

And Provident accepted our adjudicator's opinion about loan 6. Because of this I don't think there is any ongoing disagreement about this loan. So I won't be making a decision about this lending. But I've included loan 6 in my putting things right section below for completeness.

Provident hasn't been able to supply all the information about the checks it did before approving these loans. And Mr J has also been unable to supply much information about his circumstances at the time of sale. This is understandable given the time that has passed since the loans were arranged.

The information I have shows that Provident is likely to have looked at Mr J's income and expenditure before lending. I think this would be proportionate in respect of loans 2 and 3. Loan 2 was still early in the lending relationship. And there was a break in the lending between loans 2 and 3. So it would be reasonable for Provident to think that Mr J's circumstances may've improved. So I don't think that Provident was likely to be acting incorrectly when it approved loans 2 and 3.

In respect of loans 4 and 5 it is possible that Provident should have made more detailed check into Mr J's circumstances before approving these loans. But as I said above, Mr J hasn't been able to provide enough information to allow me to say with any degree of certainty what Provident would've seen if it had made further checks. So I'm also not persuaded that Provident was acting incorrectly when it approved loans 4 and 5.

I haven't seen any further information that shows its likely Provident was made aware of any financial problems Mr J might've been having at the time. And so I don't think it's reasonable to uphold his complaint on this basis.

So, overall, I think Provident's decisions to lend for loans 2 to 5 were likely to be reasonable and I'm not upholding Mr J's complaint about them.

Putting things right

- refund all interest and charges Mr J paid on loan 6;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement*;
- all entries about loan 6 should be removed from Mr J's credit file.

If Mr J still owes Provident any of the principal balance he borrowed on loan 6 then, instead of the above, for loan 6 Provident should remove all the interest and charges applied to the outstanding balance. Provident should then re-work the account as if all payments made by Mr J went to towards the principal. But importantly, Provident needs to make sure that Mr J doesn't repay more than the principal amount borrowed.

If after doing this Mr J hasn't repaid the principal he borrowed Provident can deduct this from the remainder of the compensation. If, Mr J has already paid enough to repay the principal then any overpayment should be refunded to him with 8% simple* interest from the date of payment to the date of settlement

And if Provident no longer owns this debt, and it wants to make a deduction due to the amount owed, then it should buy it back. If it doesn't then it isn't entitled to make any deductions for it from the amount it needs to pay Mr J.

*HM Revenue & Customs requires Provident to take off tax from this interest. Provident must give Mr J a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons I've explained, I partly uphold Mr J's complaint.

Provident Personal Credit Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 22 July 2020.

Andy Burlinson
Ombudsman