DRN-1760836

The complaint

Mr B says Provident Personal Credit Limited lent to him irresponsibly. He says the loans were taking up a large part of his income and he couldn't afford the repayments. He then needed new loans to repay the ones he had taken out.

What happened

This complaint is about nine home credit loans Provident provided to Mr B between July 2012 and August 2019. Below is a table that includes some of the information that Provident has provided about the lending.

loan number	date started	amount borrowed	term	date ended
1	30/07/2012	£500	52	18/12/2012
2	14/12/2012	£900	52	26/03/2013
3	25/03/2013	£1,600	48	21/05/2013
		break in lending		
4	29/08/2016	£100	14	26/10/2016
5	22/10/2016	£400	52	20/04/2017
		break in lending		
6	30/12/2017	£300	26	26/05/2018
7	02/06/2018	£800	52	21/06/2019
8	09/08/2018	£300	52	10/08/2019
9	10/08/2019	£1,200	52	outstanding

As is shown in the table there were significant gaps in the lending. There was a break of over 3 years between loans 3 and 4 and a break of eight months between loans 5 and 6.

Our adjudicator partially upheld the complaint. She thought that Provident shouldn't have approved loan 9. Provident agreed with the adjudicator and made an offer of compensation in respect of this lending.

Mr B didn't accept this offer. This is because he thought that Provident was also wrong to approve loan 3 as he was in financial difficulty at the time of this lending. He provided further evidence that he said demonstrated this.

As no agreement was 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 lending - 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 B 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 B's complaint. I've decided to uphold Mr B's complaint in part and I've explained why below.

Mr B didn't disagree with our adjudicator's opinion about loans 1 and 2 and loans 4 to 8. And Provident has agreed to pay compensation in respect of loan 9. Because of this I don't think there is any ongoing disagreement about these loans. So I won't be making a decision about this lending. But they were part of the borrowing relationship Mr B had with Provident. So they are something I will take into account when considering loan 3. And I've said that Provident should put things right in respect of loan 9, as it has agreed to do, in my putting things right section.

Why I think Provident's checks were proportionate for loan 3

This was Mr B's third loan in around nine months. He needed to repay £48 a week for 63 weeks. Provident recorded Mr B's income as being between £400 and £500 a week. It also looked at his outgoings. And it recorded that, on average, he had a disposable income of just over £150 a week. So the loan repayments would've seemed affordable to Provident. And Mr B didn't have any problems repaying loans 1 and 2.

I can see that Mr B was having financial problems and he says that he may've been unemployed at some points in the lending. And I appreciate this must have been a difficult time for Mr B.

But I haven't seen any information that shows its likely Provident was made aware of any serious financial problems Mr B might've been having. Or anything that would've prompted it to investigate his circumstances further.

And this was a relatively early stage in the lending relationship, and given the information it had, I wouldn’t have expected Provident to look any further into Mr B’s circumstances. So I think it was reasonable for Provident to rely on the information it obtained.

So overall, in these circumstances, I think the assessment Provident did for this loan was proportionate. And I think its decision to lend for loan 3 was reasonable. So I’m not upholding Mr B’s complaint about loan 3.

Putting things right

- refund all interest and charges Mr B paid on loan 9;
- 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*;
- given the amount of time that Mr B had been taking loans in this chain of lending when he took loan 9 any information recorded about would be adverse. So all entries about loan 9 should be removed from Mr B’s credit file.

If Mr B still owes Provident any of the principal balance he borrowed on this loan 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 B went to towards the principal. But importantly, Provident needs to make sure that Mr B doesn’t repay more than the principal amount borrowed.

If after doing this Mr B hasn’t repaid the principal he borrowed Provident can deduct this from the remainder of the compensation. If Mr B 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 B.

*HM Revenue & Customs requires Provident to take off tax from this interest. Provident must give Mr B 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 B’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 B to accept or reject my decision before 8 July 2020.

Andy Burlinson
Ombudsman