

The complaint

Mrs B says Provident Personal Credit Limited irresponsibly lent to her.

What happened

This complaint is about eight home collected credit loans Provident provided to Mrs B between September 2002 and November 2012. A summary of Mrs B's borrowing history is below:

Loan	Date Taken	Date Repaid	Instalments	Amount
1	07/09/2002	15/03/2003	54	£200.00
2	22/03/2003	07/08/2004	55	£350.00
3	07/08/2004	23/08/2005	55	£300.00
4	12/06/2006	20/02/2007	37	£200.00
Break in lending				
5	19/08/2010	17/01/2012	52	£300.00
Break in lending				
6	17/07/2012	09/10/2012	23	£100.00
7	09/10/2012	outstanding	110	£800.00
8	08/11/2012	outstanding	52	£400.00

Loans 1 to 4 were applied for and given before Provident fell under our jurisdiction, so we are unable to consider them. Loans 7 and 8 appear to have an outstanding balance.

Mrs B's complaint about loans 5 to 8 was reviewed by one of our adjudicators and they didn't think it should be upheld. They thought that whilst Provident should have done further checks, as it wasn't clear those checks would show, they couldn't say Provident was wrong to lend to Mrs B.

Mrs B didn't agree. She said Provident didn't perform any credit checks before lending to her. And that she was encouraged to take out further loans before a previous one had been repaid to avoid having to perform a credit check on her.

As the complaint couldn't be resolved informally, it was passed to me to issue 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.

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 irresponsible lending - including all 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 Mrs B could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 level of income);
- the *greater* the number and frequency of loans, and the longer the period 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.

As explained by our adjudicator, I'm unable to consider loans 1 to 4 as these were applied for before Provident fell under our jurisdiction. But I can look into Mrs B's complaint about loans 5 to 8.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mrs B's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Mrs B disagreed with the adjudicator's view because she thought Provident hadn't done enough checks on her before lending to her.

Loan 5

Loan 5 was taken out over four years after Mrs B repaid her previous loan. I think it would be reasonable for Provident to view this gap as an indication that Mrs B's finances had stabilised after whenever had led to her to need to borrow previously. A break in the chain of lending, in effect, starts the 'clock ticking' again on what we would consider to be proportionate checks a business should carry out when considering the length of the borrowing relationship with the consumer. So, Mrs B was back to being early on in her lending relationship with Provident.

Provident hasn't been able to supply full information about the checks it did before approving loan 5. And Mrs B also hasn't been able to supply much about her circumstances at the time of sale. This is understandable given that the loan was taken out ten years ago.

The information I have shows that it's likely Provident would have looked at Mrs B's income and expenditure before lending. I think would have been proportionate for loan 5 given that

this would have been considered early in the lending relationship and the amount being borrowed was relatively small. On this basis, I don't think Provident did anything wrong when it approved loan 5.

Loans 6, 7 and 8

Mrs B borrowed and repaid loan 5 without any obvious difficulty. There was then a six-month gap between Mrs B repaying loan 5 and taking out loan 6. Again, I think it would be reasonable for Provident to view this gap as an indication that Mrs B's finances had stabilised.

Provident has told this service about the checks it carried out before approving these loans. It has said it asked Mrs B about her employment status and she confirmed she was employed and – for loans 6 to 8 – she had a weekly income of between £370 and £450. She also declared her outgoings were between £139 and £300 at the time of loans 6 to 8.

So, even though she had to make weekly repayments, the highest repayment would have appeared affordable based on the information she had declared to Provident.

Provident says it also searched Mrs B's credit file each time it lent to her. Due to the time that has passed since Mrs B applied for her loans, Provident has only been able to provide the results of its searches for loans 7 and 8. I've looked at the credit checks and there wasn't any recent adverse entries like county court judgements (CCJs) recorded on the credit files at the time the loans were taken out. So, there was nothing in the credit report which would have made Provident carry out further checks or to have declined Mrs B's applications.

For loan 6, looking at what I've been given, there wasn't anything in the information Mrs B provided which ought to have given Provident cause for concern. So, I think it was reasonable of Provident to have relied on what Mrs B told it. Given this, I think the checks Provident did before lending this loan went far enough and I wouldn't have expected it – at this stage – to undertake any more in-depth checks.

So, whilst the information Mrs B declared to Provident at the time of loan 6 may not have been an accurate reflection of her financial circumstances, I think Provident was entitled to rely on that information. At this stage of the lending relationship, and what Provident knew about Mrs B, I wouldn't have expected Provident to verify the information Mrs B gave it. This therefore means, I can't say that Provident have done something wrong in lending Mrs B this loan.

It is possible for loans 7 and 8 that Provident should have made more detailed checks into Mrs B's circumstances before approving these loans. I say this because loan 7 was taken out on the same day loan 6 was repaid. It was for a significantly larger amount and Mrs B was extending her indebtedness to Provident by a much longer length of time. And loan 8 was taken out whilst loan 7 was still running. This kind of behaviour could be an indication of someone who is struggling with their finances. So, I think this ought to have given Provident some cause for concern about what Mrs B was telling it about her financial positions. I think Provident needed to take steps to verify the information Mrs B was providing. And it could have done this in several ways, such as asking to see her bank statements, or for copies of her payslips and/or bills.

But in saying this, Mrs B hasn't provided us with any information about her circumstances at the time. So, without further information, I can't say an error has been made because I don't know what Provident would have likely seen had it carried out what I consider to be proportionate checks. So, I don't know whether Provident would have thought the loan was

unaffordable for Mrs B. As such, I can't say Provident was wrong to have provided these loans to Mrs B.

I appreciate that my findings are likely to disappoint Mrs B. But I hope my explanation will help her to understand why I've reached this conclusion.

My final decision

For the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 19 August 2020.

Claire Marchant-Williams
Ombudsman