

The complaint

Mrs T complained about a number of loans she took out through a company called Provident Personal Credit Limited. She says she was lent to irresponsibly and the loans caused her financial problems.

To keep things simple, I'll refer mainly to "Provident" throughout this decision.

What happened

We now know that Mrs T took out 3 loans from Provident between April 2010 and January 2011. I've enclosed a summary of Mrs T's borrowing with Provident, based on the information it provided to us:

| loan | date taken | date repaid | amount | term |
|------|------------|--------------------|--------|----------|
| 1 | 12/04/2010 | 02/11/2010 | £300 | 31 weeks |
| 2 | 31/08/2010 | 12/01/2011 | £300 | 31 weeks |
| 3 | 06/01/2011 | <i>outstanding</i> | £1000 | 50 weeks |

One of our adjudicators looked into the complaint and said they didn't think it should be upheld. Mrs T disagreed with this, so I've been asked to make an ombudsman's 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.

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website. I've followed this approach when thinking about Mrs T's complaint.

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 that Mrs T could repay the loans she was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amounts being lent, the total 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. However, certain factors might point to the fact that Provident should have fairly and reasonably done more to establish that any lending was sustainable for Mrs T. 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).

Provident told us it carried out certain affordability and credit checks before agreeing to lend to Mrs T and took account of what she herself said her income and expenditure was.

Bearing in mind what I've said above, about the length of the lending relationship, I think the checks which Provident most likely carried out would have been quite basic ones. But I also think these would have been proportionate for loans 1 – 3. I think these levels of checks, together with the income and expenditure details provided by Mrs T herself, would have made those particular early loans appear affordable.

Mrs T said her income after tax was around £2,000 per month. The first 2 loans do seem relatively modest amounts in that context and I note were paid back. I've taken into account that loan 3 was for more money, but again, I think Provident would have thought the repayments were well within her capacity to pay. And even if I consider that Provident ought to have done more at this point to comprehensively check her overall financial position, I've got no evidence before me which shows Provident's conclusions would have been different; I still think it would have approved the lending to Mrs T.

I'm sorry to disappoint Mrs T and I recognise she may well have been experiencing some financial challenges. But in the circumstances I've assessed here, I'm afraid there isn't enough evidence to uphold her complaint about any of these 3 loans.

My final decision

For the reasons set out above, I don't uphold this complaint. And I don't direct Provident Personal Credit Limited to pay Mrs T any compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 30 September 2020.

Michael Campbell
Ombudsman