DRN-2115146

The complaint

Mr P says Provident Personal Credit Limited ('Provident') irresponsibly lent to him. He says Provident didn't carry out effective affordability checks. If it had, it wouldn't have lent to him.

What happened

This complaint is about six home credit loans Provident provided to Mr P between April 2009 and August 2019. Mr P's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Weekly Instalments	Amount	Maximum Combined Repayment
1	27/04/2009	07/09/2010	57	£500	£15.00
2*	03/09/2010	21/06/2011	50	£600	£21.00
Break in lending					
3	28/12/2017	10/10/2018	26	£300.00	£18.00
4**	02/04/2019	07/08/2019	26	£350.00	£21.00
5	07/05/2019	Outstanding	52	£250.00	£30.00
6	06/08/2019	Outstanding	78	£800.00	£30.60

*Loan two has an outstanding balance of £575 which has been written off.

** Provident has already upheld Mr P's complaint about loan four and made an offer in-line with how this service would put the matter right.

Our adjudicator didn't uphold Mr P's complaint about the remaining loans. For the earlier loans they thought it wouldn't have been proportionate for Provident to have asked for the amount of information needed to show the lending was unaffordable. For the later loans, they thought Provident should have taken steps to verify Mr P's circumstances, but they hadn't seen anything to suggest the loans were unsustainable.

In response to the adjudicator Mr P said he was still struggling to repay the loans. He said he should receive a better offer from Provident.

As the complaint remains unresolved, it has been passed to me for a decision in my role as ombudsman.

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 irresponsible 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 P 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 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).

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

I think that it is important for me to start by saying that Provident was required to establish whether Mr P could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

Mr P, in response to the adjudicator said he thought he should receive a better offer. But didn't give me any more information to consider.

Provident has already made an offer for loan four so I don't think there is any ongoing disagreement about this loan. So, I won't be making a decision about this lending. But the loan was part of the borrowing relationship Mr P had with Provident. So, it is something I will take into account when considering the other loans he took. So, I'll be considering loans one to three and loans five and six.

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

I should first say that I agree with the adjudicator that there are two chains in lending. There was a break of more than six years between loans two and three. Because of this I don't think it's unreasonable for Provident to have assumed that Mr P had overcome whatever financial circumstances had caused him to take high-cost credit in the first instance. A break in a 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 taking into account the length of the borrowing relationship with a consumer.

Chain 1 – loans one and two

As I've said above, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But as loan one was to run for a 57-week term I think Provident should have carried out more checks about Mr P's circumstances. However, we don't have any income and earnings information from that time, nor do we have any bank statements or other information from Mr P. So, I don't have anything to show that the lending was unaffordable for Mr P.

For loan two, it was for a term of 50 weeks and I note it was for a slightly higher amount than loan one and loan one was repaid before the agreed term and only four days after loan two was taken. So, it may have been the case that Mr P partly repaid loan one with the borrowings he took at loan two. This may have been a suggestion that Mr P was struggling financially. But again, I have no other information from this time, so I don't have anything to show the lending was unaffordable for Mr P. And I note that Provident has written off the outstanding balance on loan two in any event.

So, based on the very limited information I have, I can't say that Provident was wrong to have agreed to loans one and two.

Chain two – loans three, five and six

As explained above, this is a new chain in borrowing.

Provident's records for loan three show Mr P had a monthly income over £5,000 at a time when his outgoings were recorded as just over £900. So, I would question why Mr P would need to take this type of borrowing and I think Provident should have looked into this further.

But I don't have enough information to say Provident shouldn't have given this loan to Mr P and I note that Provident reduced the loan amount from £500 to £300 which may have been enough to take into account concerns it may have had over Mr P's high income and amount of outgoings. I also note the agreed term was lower than for the earlier loans and the repayments were relatively low.

Loan five was taken only a month after loan four was agreed. But at the time Mr P was up to date with his repayments for loan four. The loan was for a slightly lower amount but for a longer term which would have reduced the weekly repayments. I note the credit checks provided by Provident did indicate Mr P's finances were improving slightly and his indebtedness score was decreasing. Overall, I don't consider there is enough to show that Provident shouldn't have given loan five to Mr P.

For loan six, again the credit checks provided by Provident would suggest Mr P's finances were still improving. Mr P appears to have been mostly up to date with the repayments for loans four and five. And loan four was repaid early so the weekly repayment would have remained about the same. Again, in the absence of additional checks that would show otherwise, I don't have sufficient evidence to show that Provident was wrong in giving loan six to Mr P.

So, my overall conclusion for loans one, two and loans three, five and six is that I can't safely decide that Provident was wrong to have agreed to these loans.

My final decision

For the reasons given above, I’m not upholding Mr P’s complaint about loans one, two and loans three, five and six. Provident has already offered to uphold loan four so I will not be asking Provident Personal Credit Limited to do anything further.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr P to accept or reject my decision before 9 October 2020.

Catherine Langley
Ombudsman