

The complaint

Mr F says Provident Personal Credit Limited lent to him irresponsibly. He says he was unable to reduce the amount he owed Provident as his loans were refinanced all of the time. And Provident didn't look into his circumstances properly. He thinks it shouldn't have lent to him.

What happened

This complaint is about eight home collected loans Provident provided to Mr F between October 2012 and June 2017.

loan number	date started	amount borrowed	term (weeks)	date ended
1	24/10/2012	£800	52	29/05/2013
2	24/05/2013	£1,000	63	10/12/2013
3	06/12/2013	£1,500	63	30/12/2014
4	02/05/2014	£600	63	30/12/2014
5	29/12/2014	£2,100	63	28/07/2015
6	06/07/2015	£1,000	110	01/11/2018
7	23/07/2015	£2,500	84	07/06/2017
8	02/06/2017	£1,600	52	outstanding

Our adjudicator partially upheld the complaint. He thought Provident shouldn't have approved loans 4 to 8. Provident didn't respond to the adjudicator's opinion. 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 short-term 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 F 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr F's complaint. I've decided to uphold Mr F's complaint in part and have explained why below.

Mr F didn't disagree with our adjudicators opinion about loans 1 to 3. 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 F had with Provident. So they are something I will take into account when considering the other loans he took.

I haven't recreated individual, proportionate affordability checks for loans 4 to 8 because I don't think that it is necessary to do so. I've looked at the overall pattern of Provident's lending history with Mr F, with a view to seeing if there was a point at which Provident should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Provident should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr F's case, I think that this point was reached by loan 4. I say this because:

- At this point Provident ought to have realised Mr F was not managing to repay his loans sustainably. Mr F had been indebted to Provident for over 18 months. So Provident ought to have realised it was more likely than not Mr F was having to borrow further to cover the hole repaying his previous loans was leaving in his finances and that his indebtedness was unsustainable.
- Mr F was provided with a new loan a very short time after settling a previous one. At times I can see he had more than one loan running at the same time.
- Mr F didn't make any real inroads to the amount he owed Provident. Loan 8 was taken out just under 5 years after Mr F's first. And it was for a larger amount. Mr F had paid large amounts of interest to, in effect, service a debt to Provident over an extended period.

I think that Mr F lost out because Provident continued to provide borrowing from loan 4 onwards because:

- these loans had the effect of unfairly prolonging Mr F's indebtedness by allowing him to take expensive credit over an extended period of time.
- the length of time over which Mr F borrowed was likely to have had negative implications on Mr F's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm upholding the complaint about loans 4 to 8 and Provident should put things right

Putting things right

Provident shouldn't have given Mr F loans 4 to 8.

If Provident has sold the outstanding debts Provident should buy these back if Provident is able to do so and then take the following steps. If Provident are not able to buy the debts back then Provident should liaise with the new debt owner to achieve the results outlined below.

A) Provident should add together the total of the repayments made by Mr F towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything Provident has already refunded.

B) Provident should calculate 8% simple interest* on the individual payments made by Mr F which were considered as part of "A", calculated from the date Mr F originally made the payments, to the date the complaint is settled.

C) Provident should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mr F as though they had been repayments of the principal on all outstanding loans. If this results in Mr F having made overpayments then Provident should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Provident should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mr F. However, if there is still an outstanding balance then Provident should try to agree an affordable repayment plan with Mr F. Provident shouldn't pursue outstanding balances made up of principal Provident has already written-off.

E) The overall pattern of Mr F's borrowing for loans 4 to 8 means any information recorded about them is adverse, so Provident should remove these loans entirely from Mr F's credit file. Provident does not have to remove loan 8 from Mr F's credit file until it has been repaid, but Provident should still remove any adverse information recorded about this loan.

*HM Revenue & Customs requires Provident to deduct tax from this interest. Provident should give Mr F a certificate showing how much tax Provident has deducted, if they ask for one.

My final decision

For the reasons I've explained, I partly uphold Mr F'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 F to accept or reject my decision before 22 October 2020.

Andy Burlinson
Ombudsman