

The complaint

Miss P says Provident Personal Credit Limited (Provident) irresponsibly lent to her.

What happened

This complaint is about three home collected loans by Provident. A summary of the borrowing, based on information Provident provided us can be found below;

loan number	loan amount	received date	actual repayment date	number of instalments (weeks)	weekly repayment for each loan
1	£200.00	04/11/2016	18/01/2017	13	£22.00
2	£500.00	13/01/2017	outstanding	52	£18.00
3	£600.00	10/03/2017	outstanding	52	£21.60

Where there are overlapping loans the cost per week to Miss P will be increased.

Miss P appears to have had some problems repaying her final two loans and it seems that these loans have been transferred to collections and an outstanding balance remains.

Our adjudicator didn't uphold Miss P's complaint. She thought Provident had carried out proportionate checks before the first two loans were approved, and this led her to conclude that Provident hadn't made an error in approving these loans.

However, the adjudicator did think further checks were needed to be carried out before the third loan was approved. But, the adjudicator wasn't able to say that Provident had done something wrong because she didn't know what Provident may have seen, had it carried out proportionate checks.

Provident didn't respond to the adjudicator's view. Miss P disagreed and said in summary;

- no checks were carried out by Provident for loans 2 and 3 and
- the agent encouraged her to take out larger loans.

As no agreement could be reached, the case has been passed to me for 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.

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 Miss 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 (but are not limited to):

- 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 Miss P could sustainably repay her 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss P's complain and like the adjudicator, based on what I've seen, I don't think Provident needs to pay compensation to Miss P.

Provident says it agreed to Miss P's application after she provided details of her monthly income and expenditure. And it looks like, some of the information about her income was also verified. Provident has also provided us with the credit check results from the final loan Miss P was granted.

For loans one and two I think the checks Provident carried out went far enough. It gathered information about her income (which appears to have come from some salary, maintenance and tax credits). And for loan one Miss P declared outgoings of £478 and for loan two £547. Based on the repayment amounts Miss P was committed to making, Provident would've thought that Miss P would be in a position to afford these loans.

I accept that Miss P's actual financial circumstances were maybe not reflected either in the information she provided, or the other information Provident obtained. And Miss P's actual financial position might well have been apparent if further information – such as bank statements – had been obtained.

But Provident could only make its decision based on the information it had available at the time. And as it was in the early stages of a lending relationship with Miss P – in terms of only providing her with two loans. I don't think it had reached the stage where there was a greater risk of these loans being unsustainable for Miss P. In these circumstances, I don't think Provident needed to take further steps to verify the information she had provided.

At the time of loan 3, Miss P again declared her income and outgoings. A credit check was also carried out, I've taken a look at the results that Provident has provided and there isn't anything in those results, which in my view would've even led Provident to decline the application or to have prompted it to carry out further, more in-depth checks.

But in saying that, for loan 3 I think Provident checks needed to go further. This was now the third loan in quick succession, and loan two was still outstanding at the time, meaning Miss P's weekly commitment to Provident was £39.60 per week. Importantly, Miss P was expected to continue to make these repayments for an additional 12 months having already been indebted to Provident for four months.

So, I think for the third loan the checks Provident needed to go further, it ought to, by now have started to verify what Miss P was telling it about her financial circumstance. Provident could've verified her information a number of ways, it could've asked for copies of her bank statements or it could've asked for copies of her credit file and / or bills.

Even though I think Provident's checks needed to go further, that doesn't mean I'm able to uphold Miss P's complaint. Miss P hasn't provided us with any supporting documents to show us what her actual financial position was at the time, or what Provident may have found out, if it had carried out further checks. This means I'm not able to say Provident made an error in approving this loan because I don't know what Provident may have seen had it carried out proportionate checks.

I am therefore not upholding Miss P's complaint. I appreciate this will be very disappointing for Miss P. But I hope that she'll at least feel her concerns have been listened to.

It also seems that there are outstanding balances due for the final two loans and I'd remind Provident of its obligation to treat Miss P fairly when trying to agree a way forward for this money to be repaid.

My final decision

My final decision is that I'm not upholding Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 9 November 2020.

Robert Walker
Ombudsman