DRN-2397850

The complaint

Mr M complained about a number of loans he took out through a company called Provident Personal Credit Limited. Mr M says he was lent to irresponsibly and the loans caused him financial problems.

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

What happened

We now know that Mr M took out 4 loans from Provident between March 2016 and December 2018. I've enclosed a summary of Mr M's borrowing with Provident, based on the information it provided to us:

Loan	Taken Out	Repaid	Amount	Term	Repayment
1	31/03/16	27/07/16	£100	23 weeks	£6.50
2	23/07/16	14/06/17	£500	52 weeks	£17.50
3	17/02/18	05/12/18	£200	26 weeks	£12.00
4	04/12/18	11/03/20	£300	52 weeks	£10.80

Provident has already offered to settle the complaint about loan number 4 in accordance with our normal approach. So, we've already told Mr M that we won't consider this further.

Our adjudicator said we shouldn't uphold the complaint about the remaining loans 1- 3. Mr M disagrees with this and has asked for 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 Mr M'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 Mr M could repay the loans he 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 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).

Provident told us it carried out certain checks before agreeing to lend to Mr M, including assessing his income, expenditure and creditworthiness. It says that based on what was said, this information showed that Mr M would be able to make the loan repayments he was committing to on all 3 occasions (as I've said, I'm not addressing loan 4).

Taking into account of what I've said, above, about the early stages of the lending relationship, I think that Provident's checks about Mr M's financial circumstances would have probably been at the less detailed end of the spectrum. So, although it's possible that more thorough financial checks could have exposed Mr M's financial situation better, there doesn't seem to be anything that would have caused Provident to think he was in financial trouble or might be unable to pay a loan back at this particular point in time.

Loan number 1, for example, was for a very moderate amount and so relying on Mr M's self-declared income was acceptable and proportionate to the situation. And although he did ask to borrow £500 after this, the evidence is that he'd mainly paid back his first loan in full and the repayments for the second loan still seemed well within his ability to pay. Mr M had declared his net income (after tax) as around £1,300 per month and he also provided details about his expenditure all showing the repayments on the first 2 loans were affordable.

I therefore have no basis on which to uphold his complaints about these two loans.

I note that for loan number 3, there had been by then, a substantial gap in the borrowing. Given this – and the repayment history to that point – I think it was acceptable for Provident to revert to the third loan as a 'new' lending chain, and base its checking procedures on that basis. In short, continuing to rely on what Mr M himself was saying about his overall circumstances, was justified and proportionate to the situation.

I don't doubt Mr M may have been finding his wider finances difficult to deal with. But given the profile of his borrowing, I don't think Provident necessarily needed to go into additional detail to verify all Mr M's financial affairs. I think if his borrowing had continued, this could well have been something that would have eventually needed to happen.

In short, I think the checks carried out in this case were proportionate and I'm afraid there isn't enough evidence to uphold the complaint about loans 1 - 3.

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 Mr M any compensation.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 26 January 2021.

Michael Campbell
Ombudsman