DRN-2473948

The complaint

Mr P has complained that Provident Personal Credit Limited (trading as Provident) gave him unaffordable loans.

What happened

Mr P took five home credit loans from Provident between March and October 2010. A summary of his borrowing, based on the information provided to us from the lender can be found below:

Loan	Date Taken	Date Repaid	No. of Weekly Instalments	Amount Borrowed
1	09/03/2010	03/08/2010	23	£300.00
2	22/06/2010	17/08/2010	23	£300.00
3	13/07/2010	12/10/2012	23	£500.00
4	17/08/2010	12/10/2010	23	£500.00
5	12/10/2010	outstanding	50	£1,500.00

It appears that Mr P ran into difficulties repaying his last loan.

One of our adjudicators looked at Mr P's complaint. She didn't think Provident were wrong to approve Mr P's loans. Whilst Provident were unable to provide details of Mr P's income and expenditure, Mr P was able to provide details of his income at the time of the applications. The adjudicator considered this information and concluded that the loan repayments appeared affordable.

Whilst the adjudicator thought Provident's checks should've gone further for Mr P's last two loans, she couldn't say that these two loans shouldn't have been approved, as Mr P wasn't able to provide information showing his circumstances at the time of the applications.

It appears that Provident agreed with our adjudicator's opinion. Mr P disagreed and provided the following points for consideration;

- Mr P was vulnerable at the time of accepting the loans.
- Provident didn't check his credit score/ history, bank statements or payslips.
- He was left struggling to pay his priority bills and other loans on time.
- He was always behind with his monthly payments as he didn't have enough money to pay the right amount.

As no agreement could be reached the complaint 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the facility was provided.

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 these 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've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr P's complaint and I don't think Provident were wrong to approve Mr P's loans. I'd like to explain why.

When Mr P applied for his loans, Provident would've likely asked him to declare his monthly income and expenditure for each loan application. Provident has been unable to provide the details it gathered about Mr P's income and expenditure for each loan. But as these loans were taken out around 11 years ago, I don't find this unreasonable considering the time which has passed since the applications.

In any event, Mr P has been able to provide us with some information about what his income was at the time of the applications. Whilst I don't know exactly what figures Mr P would've declared to Provident at the time of the applications, the payslips he has provided is an accurate reflection of what he was earning at the time.

So, I have considered Mr P's payslips when looking at the repayments he was due to make, to understand if these were affordable. I've also taken into account that Mr P sometimes had multiple loans running at the same time.

When Mr P took out his first three loans, I think Provident would've reasonably concluded that the loan repayments were affordable. Mr P's net monthly income ranged from £1,612 to £1,700 at the time of loans 1-3. As Mr P's repayments were to be repaid on a weekly basis, I've looked at what income he would have received on a weekly basis. But even if I assume that Mr P would have declared the income showing on his payslips, the repayments still appeared affordable and sustainable.

As this was early on into the lending relationship between Provident and Mr P, and the lending appeared affordable, I don't think Provident needed to do additional checks at this point. So, I don't think Provident was wrong to approve the first three loans.

Mr P applied for his fourth loan on the same day he repaid his second loan and he still had to make repayments for loan 3. Having considered Mr P's payslip at the time of this loan application, I think it's likely Provident would've gathered information about this showing the loan repayments were affordable.

However, as this was now Mr P's fourth loan in just over five months, I think Provident should have been verified his circumstances to understand more about these and why Mr P needed to continue taking out further loans. I don't think it was enough for Provident to rely on what Mr P was telling it anymore. Provident could have verified Mr P's circumstances by asking for his bank statements, bills or copies of payslips. Mr P says Provident didn't ask him for this information, and Provident has been unable to show that it asked for this information. So, I don't think its checks went far enough.

When Mr P applied for his fifth loan, I think Provident should have continued to verify his circumstances. I say this because Mr P's fifth loan was for the largest amount to date, and he was to repay the loan over the longest term. So, Provident needed to understand whether he could sustain the repayments over this period. But Provident hasn't demonstrated that it carried out a proportionate check.

In these circumstances, I would look at what proportionate checks would've likely shown Provident at the time. But Mr P hasn't been able to provide us with his bank statements, a copy of his credit file or any other evidence about his financial circumstances at the time. This means, I can't be sure what Provident may have seen, had it carried out proportionate checks.

I can see that Mr P has clearly gone to a lot of effort to try and show us what his circumstances were like at the time he took out these loans. But in the absence of any information showing what his circumstances were like, I can't conclude that further checks would have made a difference to Provident's decision to lend.

I understand that my findings are likely to disappoint Mr P, but I hope my explanation will help him understand why I've reached this conclusion.

My final decision

For the reasons I've explained above, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 31 March 2021.

Robert Walker
Ombudsman