

The complaint

Mr M says Provident Personal Credit Limited (Provident) irresponsibly lent to him.

What happened

This complaint is about three home credit loans Provident provided to Mr M between March 2015 and September 2015, as detailed below.

Loan	Date Taken	Date Repaid	Duration	Amount	Highest Weekly Repayment
1	28/03/2015	21/07/2015	23 weeks	£299	£13
2	16/07/2015	Outstanding	32 weeks	£800	£25
3	23/09/2015	Outstanding	32 weeks	£320	£10

Our adjudicator thought Provident hadn't done anything wrong when providing Mr M with his loans. He explained that Provident gathered adequate information and there wasn't anything within that information that was cause for concern.

Mr M disagreed and said the loans were not affordable for him and adequate checks were not carried out. Mr M says a proper assessment by Provident would've shown he couldn't afford them. Mr M also says he made the agent aware of his communication needs and no adjustments were made to ensure he understood the loans.

As no agreement could be reached, the case has been passed to me – an ombudsman – to issue a decision on.

I sent Mr M and Provident my provisional decision on 17 February 2021 explaining why I think I should uphold Mr M's complaint in part. Here is what I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Irresponsible lending

We've set out our general approach to complaints about irresponsible lending - including all 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 M could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the

consumer's income and expenditure. 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 level of income);
- the greater the number and frequency of loans, and the longer the period 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 the arguments, evidence and information provided in this context and what this all means for Mr M's complaint. Having done this, I'm upholding the complaint in part. I'll explain why.

In his complaint Mr M says that Provident didn't lend to him responsibly because it didn't carry out adequate checks and he has been struggling to repay the loans. He says had Provident properly reviewed his credit file it would've seen he couldn't afford the loans. Overall, Mr M says the lending had a negative impact on his financial situation.

Provident says that it carried out adequate checks – by gathering details of Mr M's income and expenditure. And based on this information Provident says it didn't see anything to alert it to any sustainability or affordability issues for the loans it gave Mr M.

It's important to note that when Mr M took out his first loan with Provident, there was no existing relationship with it. The first loan was to be repaid over 23 weeks with the highest weekly payment being £13. Mr M had told Provident that his monthly income was around £670 and after outgoings he was left with a disposable income of £465. There isn't anything obvious about these figures that suggests Provident had reason to question the information it had about Mr M or there was a need to verify it. Looking at the monthly repayments in light of Mr M's declared disposable income it's difficult for me to conclude that Provident was wrong to decide that the repayments would be affordable sustainably for Mr M.

When Mr M applied for loan 2 his income had reduced, and he was borrowing significantly more than he did for loan 1. Provident carried out an income and expenditure assessment again and it seems his disposable income of around £200 was sufficient in light of the repayments due. So, I don't think Provident made an error when it granted loan 2.

For loan 3 Mr M was borrowing a significant amount again and loan 2 was still outstanding. So I would've expected Provident Loans to build up a clearer picture of Mr M's finances. Provident says it carried out another income and expenditure assessment. Mr M's income had dropped but given he had a disposable income of just over £100 the loan was approved. Having carefully thought about loan 3 and the information available I think it was reasonable for Provident to have provided this borrowing.

Mr M has said that he had a low income when he took out the loans. I can see Mr M's declared income also consisted of state benefits. This in itself isn't a reason for lending not to be provided. And this is why details of expenditure and disposable income are gathered to ensure loans are affordable. For each loan Provident says that it conducted a Credit Bureau check and the results of these didn't reveal anything of concern. Mr M says he struggled to repay loans 2 and 3 and I can see they have been sold on to a third party. By loan 3 I think it's clear that a downward trend was developing as Mr M wasn't able to meet repayments. However, no further loans were provided by Provident after this point.

So, overall I think the checks Provident did before lending on the loans went far enough and I wouldn't have expected Provident at this stage to undertake any more in-depth checks. This means I don't think Provident was wrong to give Mr M these loans. I appreciate that this will come as a disappointment to Mr M who has put a lot of time and effort into his complaint. I know my findings are likely to disappoint him. But I hope my explanation will help him understand why I've reached this conclusion.

Mr M's communication needs

Mr M has explained he had specific communication needs which Provident did not consider when the loans were arranged. Our service has repeatedly asked for information from Provident about its sales process and what steps it would've taken to ensure Mr M properly understood the loans in light of his communication needs. As we have not received a response to this request I've relied on Mr M's comments about the sale of the loans. Mr M says that the loans were all arranged in his home and that he made the agent aware of his communication needs. In particular Mr M says that he explained his vulnerability as he is deaf and that he uses British Sign Language and is unable to understand or read without the help of his advocate. Mr M says no steps were taken to check his understanding of the loans and they were given to him instantly.

Based on what Mr M has told us it doesn't seem Provident made any adjustments to its sales process to factor in Mr M's individual needs. As these loans were arranged face to face, I think it would've been apparent to the agent that Mr M had specific needs that meant the sales would've needed to be adapted to ensure his understanding of the commitments he was taking on. This would've been an important issue when each of the loans were arranged and I haven't seen any evidence to show any steps were taken to assist Mr M or that Mr M was treated fairly. In light of this I think Provident should pay Mr M £200 for the trouble and upset it has caused by failing to make reasonable adjustments for Mr M.

I said I'd consider anything else Mr M and Provident wanted to give me – so long as I received it by 3 March 2021. As both parties have responded to my provision decision, I have considered the comments and I will now issue my 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 of this nature on our website and I've taken this into account in deciding Mr M's

Provident responded to my provisional decision stating it accepted by findings.

Mr M responded explaining he accepted my findings about loans one and two. He also accepted my award for trouble and upset. However, Mr M did not agree with my findings

about loan three. Mr M explained that loan three was given to him to pay off his arrears on loan two. Mr M says his communication needs were not considered and he has struggled to repay this loan. Mr M says proper checks were not carried out and he thinks this loan was given to him irresponsibly.

I've considered Mr M's comments carefully and I still don't think loan three was given to him irresponsibly by Provident. I say this because having looked at the evidence we have from the time loan three was arranged in September 2015 it seems Mr M was repaying loan two without any apparent issues. As this loan was flexible Mr M had the option of adapting his repayments to suit his circumstances and looking at the account information there were no arrears on loan two, and it seems Mr M had actually made overpayments to this loan before he took out loan three.

It was in December 2015 when Mr M started having issues repaying loans two and three. But from the evidence I've seen this wouldn't have been apparent to Provident at the time when it approved loan three. At the time Provident provided the lending its checks indicated Mr M was in a position to be able to take on further borrowing.

I appreciate that this will come as a disappointment to Mr M who has put a lot of time and effort into his complaint. I know my findings are likely to disappoint him. But I hope my explanation will help him understand why I've reached this conclusion.

Putting things right – what Provident Personal Credit Limited needs to do

Provident did not provide the three loans to Mr M irresponsibly. However, from the evidence I have seen I don't think Provident did enough to ensure Mr M's specific communication needs were met. As outlined above, I think Provident should pay Mr M £200 for the trouble and upset it has caused by failing to make reasonable adjustments for Mr M.

My final decision

For the reasons given above. I'm upholding Mr M's complaint, in part. Provident Personal Credit Limited should put things right for Mr M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 April 2021.

Chandni Green
Ombudsman