Financial Ombudsman Service

The complaint

Miss M has complained that Provident Personal Credit Limited (trading as Provident) gave her unaffordable loans.

What happened

Miss M took seven loans from Provident between July 2008 and January 2017. A summary of her borrowing, based on the information provided to us by Provident, can be found below:

Loan	Date Taken	Date Repaid	No of Weekly Instalments	Amount Borrowed
1	12/07/2008	outstanding	56	£300.00
2	25/09/2015	10/02/2016	32	£500.00
3	24/12/2015	22/07/2016	52	£280.00
4	12/02/2016	30/09/2016	52	£1,000.00
5	22/07/2016	30/09/2016	52	£280.00
6	04/11/2016	outstanding	52	£1,000.00
7	13/01/2017	outstanding	78	£1,200.00

The most recent correspondence from Provident shows there is an outstanding balance on loans 1, 6 and 7. It's not clear if these loans have been assigned to a third-party.

One of our adjudicators looked at Miss M's complaint. By loan 7, the adjudicator thought Provident ought to have realised that Miss M's pattern of lending was showing signs that these loans had become unsustainable for her. So, the adjudicator upheld Miss M's last loan.

Provident agreed with our adjudicator's opinion and made an offer in-line with our adjudicator's recommendations for loan 7.

Miss M disagreed. In response she said she doesn't think Provident has compensated her for putting her in debt and in a vulnerable situation. This led to her depending on Provident to offer her another loan in attempt for her to get out of a financial mess.

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 loans were 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 Miss M 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 Miss M's complaint.

Our adjudicator upheld loan 7. Provident has already agreed that loan 7 shouldn't have been approved and has offered to settle this loan. Provident's offer is in-line with this service's recommendations where a loan should not have been lent, I'm not considering this loan further. This decision will focus on loans 1-6 and whether Provident should have approved them.

Loan 1

When Miss M applied for her first loan, Provident would've likely asked her to declare her monthly income and expenditure before approving the loan. Provident has been unable to provide the details it gathered about Miss M's income and expenditure for this loan. But as the loan was taken out around 12 years ago, I don't find this unreasonable due to the times that's passed since the application.

As this was Miss M's first loan with Provident, the repayments appeared fairly small and it was early on in the lending relationship, I don't think it was unreasonable that Provident approved Miss M's first loan.

Loans 2-6

It appears that Miss M ran into difficulty repaying her first loan as she did not repay the outstanding balance in full. In December 2008, the statement of account for this loan shows an amount was '*written off*'. But this could mean that the debt was passed to Provident's collections team or sold to a third party around this time.

Firstly, I'm satisfied there are two lending chains – loan 1 and loans 2-7. Miss M took out her second loan around seven years after the problems she had with her first loan. So, I think this amount of time was sufficient enough for Provident to have assumed that Miss M had overcome whatever financial difficult she may have been in at the time, that caused her to have some repayment problems.

When Miss M applied loan 2, she declared she was receiving benefits and tax credits amounting to £347.75 a week and her weekly expenditure was around £148. This would have left her with a disposable income of around £200 of which to meet the repayments of £25 a week. So, I think the repayments appeared affordable based on the information she declared to the lender.

Provident also completed a credit check for each loan and it has provided the results of these checks. At the time of loan 2, Miss M had seven defaulted accounts. But as the defaults had occurred around three years prior to her application, I don't think this would have concerned Provident enough for it to either have prompted it to carry out further checks or decline her application for credit. And I haven't seen any other information which suggests Miss M would not be able to comfortably fulfil her repayments.

When Miss M applied for loan 3, I think the information Miss M told Provident about her circumstances suggested the loan repayments were affordable. But there is an argument to say Provident may have needed to have done more checks for this loan.

Miss M was still repaying loan 2, so she now had two loans running alongside each other. In addition to this, Miss M was committing herself to be indebted to Provident for at least an additional year. So, I think that these circumstances could've led Provident to have verified the information Miss M gave to it. One way to do this would have been asking Miss M for her bank statements. This would have helped the lender understand if Miss M was able to afford as well as sustain the repayments over the term of the loan. But Provident hasn't shown us it did this.

Miss M went on to take out further loans with no considerable gaps in between them. Sometimes, she was repaying two loans at the same time. So, I think Provident ought to have continued to have made further enquires.

But I don't know what Provident may have seen had it carried out further checks, so in the absence of any information showing that these loans were unaffordable, I'm unable to conclude that Provident was wrong to approve them.

I'm sorry to hear that Miss M was struggling financially and repaying these loans has proved difficult. I acknowledge that Miss M was offered higher loan amounts whilst she was repaying her loans, but the offering of the loan in itself may not be wrong, as long as the lender carries out proportionate checks.

Loan 7

Provident has already agreed to settle these loans in-line with our adjudicator's recommendations. So, I have no reason to comment on this loan as Provident has already agreed that something went wrong when it approved this loan. I've outlined below what Provident needs to do to put things right, which is what it has already agreed to do.

Putting things right

If the debt has been sold to a third party, Provident should, if it wishes, buy the debt back and then carry out the redress below. If it isn't able to, or doesn't wish to buy the debt back, then it needs to work with the third party to achieve the same results.

- Remove all unpaid interest, fees and charges from the outstanding loan balance on loan 7.

- Provident should rework the loan so that Miss M only has to repay the principal borrowed for loan 7. It should treat any repayments made by Miss M (and the third party if applicable) as if it went towards the principal balance.

  If or when Miss M has repaid enough to repay the principal, then any overpayment should be refunded to her. To this overpayment, 8% simple a year interest should be added from the date of the overpayment came due to the date of settlement*;

- However, if after doing the above, an outstanding principal balance remains, Provident should try and come to an affordable arrangement with Miss M to repay the balance. But I'd remind Provident of its obligation to treat her fairly.

- Provident should remove loan 7's entry entirely from Miss M's credit file.

*HM Revenue & Customs requires you to deduct tax from this interest. Provident should give Miss M a certificate showing how much tax is deducted, if she asks for one.

My final decision

For the reasons I've explained above, I'm upholding Miss M's complaint in part.

Provident Personal Credit Limited should put things right for Miss M as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 23 April 2021.

Robert Walker
Ombudsman