DRN-2927442

The complaint

Mr A complains Provident Personal Credit Limited ("Provident") lent to him irresponsibly because he said the agent was paid on commission and so encouraged him to take on loans.

He also says Provident hasn't provided the credit reference agencies with accurate information. Mr A says his credit file is showing missed payments when he has an agreement between himself and Provident to repay what is owed at a reduced rate.

What happened

Following Mr A's complaint to Provident, it issued a final response letter (FRL). The FRL made two points;

- Mr A's account was in arrears and therefore this information has been shared with the credit reference agencies and
- At the point Mr A was given loans the agent wasn't working on commission.

Mr A, unhappy with this response, referred his complaint to our service. But not before explaining that he'd never missed a payment and so his account wasn't in arrears. And the information put down on the loan application form was incorrect especially in relation to him being semi-retired, rather than fully retired.

Our adjudicator considered the complaint and felt it should be partly upheld. She wasn't able to say exactly what was discussed at the time the payment arrangement was put in place. But she concluded it was probably not made clear that the consequences of the payment arrangement would be continued adverse information being recorded on the credit file.

But she thought the information being recorded by Provident was correct but, she felt, Provident's FRL could've provided Mr A with more information about the credit file and status of the account.

Finally, she accepted Provident could pass the loan to a third-party collection agency, but Mr A wasn't told this was going to happen. So, she recommended Provident pays Mr A £100 for the trouble and upset Provident's poor communication had caused him.

Provident agreed with the adjudicator's recommendation and agreed to pay Mr A £100.

Mr A didn't agree with the outcome that was reached because he said the offer was an "*insult*" given the upheaval Provident has caused. Later on Mr A told us his credit score had decreased by 54 points, and he can't make payments to Provident any more.

As no agreement has been 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 irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Irresponsibly Lending

Mr A has agreed that the case could continue without this part of the complaint being considered due to the current legal position with the lender. I therefore make no finding on whether anything went wrong when the loans were approved.

Payment arrangement and outstanding balance

Mr A says he had financial difficulties and so agreed a repayment plan with Provident to be able to repay what was owed on a more affordable basis. On top of the problems that Mr A has with his credit file, he says the repayment arrangement hasn't been credited to the accounts in the manner he was expecting. Which has led to the figures he has recorded in the paying in books to show the wrong account balance.

Mr A has explained that he has three loans outstanding, and below is an outline of this outstanding loans based on what he A has told us;

- Loan ending 689 for £1,700 issued on 11 September 2015
- Loan ending 945 for £2,00 issued on 22 April 2016 and
- Loan ending 359 for £1,300 issued on 2 September 2016.

The statement of account shows Mr A initially was making payments that were collected by an agent, but since the start of the national COVID pandemic in March 2020, I can see payments were then switched to be paid on the phone / over the internet.

However, these repayments (from March 2020) do appear to have been a day late (according to the information provided by Provident). This could be due to the time lag that there sometimes can be when making electronic payments, as there is a delay in getting the account information updated.

Unfortunately, there is very little information from the time when Mr A and Provident agreed the repayment plan. So, I don't know what Provident told Mr A or what was explained to him about how the payments would be allocated to each of the above outstanding accounts.

Given its likely Mr A and Provident had agreed a reduced repayment plan this must have been because one was needed. Which is supported by what Mr A has told us. So, the fact, that he entered into a payment plan was always going to lead to some adverse information being recorded on his credit file, because he wasn't going to be maintaining his contractual repayments. But, as I don't have any more information, I can't be sure exactly what Mr A was told when his repayment plan was agreed.

From the statement of accounts provided, it does seem that initially Mr A was able to service the loans in accordance with the terms and conditions. But from February 2017 a repayment plan was agreed. And before this date, on some of the loans such as loan ending 689 there are the occasionally missed payments (or at least £0 recorded on the due date when payments were due), but nothing in my view significant.

I've gone on to consider whether the information that I can see being reported on Mr A's credit file is correct. When doing so, I've considered the guidance and rules issued by the Information Commissioner's Office (ICO).

The ICO is the body created which deals with an individual's data, and it has released a document called "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*" – this is the guidance that this service uses when determining whether the payment arrangement has been set up and recorded correctly.

The basis of the principles is that;

> *Lenders that supply data to the CRAs are required to ensure that the data is accurate, up to date and meets agreed quality standards.*

Secondly as Mr A accepts, that a plan was needed, Provident was entitled to report adverse information to the credit reference agencies. Principle two explains this;

> *If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears.*

But the key part of the document, relates to principle three – called;

> *If you offer or make a reduced payment, how it is reported will depend on whether it is agreed with the lender.*

Principle 3 outlines two different types of arrangement, a permanent and a temporary change. Given, what I've seen, Mr A appears to be on a temporary arrangement. This is because, I've seen no evidence to suggest the terms and conditions or the credit agreement has in anyway been adjusted to take account of the reduced repayments.

> *Should a temporary reduction in the payment amount be jointly agreed between you and your lender, this 'arrangement' will be recorded at the CRAs.*

It then goes on to say;

> *The record must show that the account is the subject of special terms. The reporting of this fact may be different depending on the product and the CRA. It is important that you are made aware, when such an arrangement is made and maintained, that it will show on your credit file and that whilst arrears may accrue and increase a default will not be recorded.*

I've reviewed the credit file Mr A has provided, as well as the information provided by Provident. Having done so, I can see Provident, has reported that these three accounts are subject to an arrangement to pay – which is correct and is consistent with the wording in the ICO's document.

It has also reported arrears these started with a 2 (indicating the account was two months in arrears), and then increased to the 6 – which is where the accounts are now. As principle three explains, arrears may be accrued and reported – and based on the reporting data Provident has provided this is what has been reported. Mr A is in arrears on these loans because he hasn't been making the full contractual repayment.

So, while he has been paying the loans back via a payment arrangement the fact is, that unfortunately Mr A hasn't been paying the amount that was stipulated in the original loan agreement. And it is for this reason that the arrears have been reported with the credit reference agency. I'm satisfied that this is correct, and in line with the ICO guidance. Provident has also confirmed that it's not defaulted the accounts.

Shortly after the case came to this service, Provident passed the accounts to a third-party debt collection agency. Provident confirmed this was the case it said "*payments towards the account not being maintained at the contractual rate and frequency we have made the decision to transfer the account…"*

Now that Mr A's account has been passed to the third party, he will need to agree a suitable repayment plan with the company (if he hasn't already done so). Provident will no longer collect payments towards the outstanding balances that are due.

It's also worth noting, from the statement of the account, Mr A hasn't been charged extra interest, fees or charges as a result of going onto the repayment plan. The only difference is that amount of time it will take him to repay what is owed has increased. But I'd remind Provident and if the third party is acting on its behalf that it needs to treat Mr A fairly.

Finally, the adjudicator recommended a payment of £100 be made to Mr A. Provident accepted this finding. Mr A didn't and said it was an insult for what has happened.

I've looked at the reasons why the adjudicator recommended this sum and it doesn't seem unreasonable. I know Mr A is unhappy with this, but I've not seen quite enough to suggest that Provident should pay him more.

Ultimately the information Provident is recording on Mr A's credit file is an accurate reflection of the conduct of how the account has been repaid. So, I don't think Provident needs to increase the amount of compensation it pays Mr A.

Putting things right

So, I'm not going to be asking Provident to do any more than what it has already agreed to do. It therefore needs to make sure, if it hasn't already done so already that it pays Mr A £100 for the trouble and upset caused.

My final decision

For the reasons I've explained above, I'm upholding Mr A's complaint in part and direct Provident Personal Credit Limited to pay Mr A £100.

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

Robert Walker
Ombudsman