

complaint

Miss P says a loan from Provident Personal Credit Limited was unsuitable for her.

background

From 2012 Miss P had a number of loans from Provident. In the main she's been happy with the lending.

But she believes a loan in August 2015 was unsuitable. I will call this Loan B. She took out two loans on the same day (Loans B and C). It seems Loan B was used to pay off a previous loan (Loan A). Miss P says she's ended up repaying more to Provident and over a longer period of time because of this. Had she been made aware of this, she said she wouldn't have taken out Loan B. Provident didn't agree with her complaint.

Our adjudicator agreed that Loan B was unsuitable. Provident didn't accept the recommendation. It said its agent was thorough during the setting up of Loan B, and that Miss P didn't raise any concerns about suitability at the time.

The complaint's been passed to me for my decision.

my findings

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

Loan A was for £1,000. It was provided in October 2014. Miss P kept up with the repayments until it was paid off in August 2015, using Loan B. There were no arrears and no additional interest or charges.

Loan B was for £1,000. Loan C was for £500. Both were provided on the same day in August 2015. Essentially it seems that Loan A was refinanced by Loan B. To be clear:

- Loan A cost £2,016 to repay over an 84 week period;
- Loan B cost £1,890 to repay over a 63 week period; and
- Loan C cost £945 to repay over a 63 week period.

Miss P said she didn't understand the consequences of taking out Loan B, and that she initially enquired about a £500 loan. This was provided for by Loan C. I'm satisfied Miss P wanted Loan C, so I won't be commenting on this any more in my decision.

But it does bring into focus Provident's decision to provide Loan B, and the efforts it made to highlight the consequences to Miss P.

Loan sales were conducted in Miss P's home. Provident says its agent was detailed in her explanation of Loan B and what it was for. Provident's agent said Miss P told her she wanted money for a holiday and to start saving for Christmas.

There's nothing to suggest the agent discussed the cost of using Loan B to pay off Loan A (which I note Miss P had been paying off with no problems). Provident has asked why Miss P didn't raise concerns about this sooner. But she complained to Provident in October 2015. There's nothing wrong with the timing of her complaint. And it certainly doesn't invalidate the

complaint or make me doubt her authenticity at all. By this time it would've been clearer to her exactly what had happened.

Provident says Miss P has benefited from Loan A's early settlement, because she's paid less overall on Loan A. This may be true, but it doesn't tell the whole story. The only reason Loan A was settled early was because Provident advanced Loan B to Miss P. So while Loan A was settled early and Loan B provided Miss P with a short-term cash injection, it also increased and extended her overall liabilities to Provident. I don't see that the costs involved were properly explained. If they had been, she could have made an informed decision about what to do.

On balance, I don't think Loan B was necessarily suitable to Miss P for the above reasons. I feel it was mis-sold, as the full implications of it weren't explained. If she'd had the full information, I think it likely she wouldn't have proceeded. To make it clear, this isn't about affordability. Rather, it's about suitability/mis-sale and giving clear details when a person will incur further indebtedness, to allow that person to make a fully informed decision.

my final decision

It's my final decision to uphold this complaint. I require Provident Personal Credit Limited to:

- cancel Loan B, also meaning all reference to it must be removed from her credit file(s);
- refund all interest and charges on Loan B;
- add 8% simple interest per year from the dates interest/charges repaid to Loan B, to the date of settlement;
- reinstate Loan A to the position it was in when it was settled; and
- use the amounts above to offset the remaining balance of Loan A. If there's an outstanding amount, it's to be paid to Miss P.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 20 June 2016.

Elspeth Wood
ombudsman