

complaint

Mr M complains that he was offered loans by Provident Personal Credit Limited which he couldn't afford to repay.

background

Mr M complains that he was encouraged to take out multiple loans by Provident when agents visited his home. He says he was offered loans of up to £2500 but was under the impression that Provident could only lend up to £1000.

Mr M says that the loans caused him to fall into debt. He doesn't think that Provident carried out sufficient affordability checks.

The investigator upheld the complaint. He said that by August 2015, the loans which Mr M had taken out had become unaffordable, and that Provident should have carried out further checks before agreeing to lend the money. The investigator recommended that Provident refund all charges and interest on the last 3 loans taken out by Mr M.

Provident didn't agree. It said that it had properly assessed affordability on the basis of the information provided by Mr M and that it had checked his income against his payslips. It also said that Mr M had managed his payments with no arrears or defaults within the six months prior to new loans, and that there was no indication that he was in financial difficulties.

my findings

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

Mr M received a total of 30 loans from Provident between August 2006 and February 2016. Some of these loans were issued more than 6 years ago. This service has explained to Mr M that it is unable to consider complaints about loans which fall outside of the 6 year time limit. Mr M accepts this.

In relation to the 15 loans which this service can consider, I've looked at the process followed by Provident to assess affordability. A Customer Details Form (CDF) was completed with information about Mr M's employment, income and expenditure. Mr M signed the CDF to confirm that the information was correct. The CDF show that Mr M was in employment and had sufficient income to meet the loan repayments.

I've reviewed the CDF in relation to each loan. The CDF suggest that Mr M's income was verified. Mr M says that this didn't always happen. On some of the CDF, the "evidence seen" box isn't ticked, which leads me to believe that Mr M's income wasn't properly verified for that loan, when it should have been.

I've also looked at the available P60's and wage slips for 2014/2015/2016/2017. These show that Mr M was earning an average of £20,900 per year with an average monthly wage of £1740. I've compared this with the information recorded on the CDF's. The income recorded on the CDF's is higher than Mr M's average wage, which leads me to believe that his income has been overstated.

I accept that Mr M's wages varied from month to month because of overtime. This has been taken into account on the CDF. But I think it's fair to say that overtime isn't guaranteed and just because Mr M received overtime in the past is no guarantee that he would receive it in the future.

I've looked at the information about Mr M's outgoings. These vary quite a lot from month to month, so it's difficult to work out whether the loans were affordable.

I can see that the last 3 loans taken out by Mr M were assessed electronically, rather than face to face with an agent. I've looked at whether Provident carried out sufficient affordability checks here and I don't think that it did. Although Provident appear to have checked Mr M's income for 2 of the 3 loans, it didn't question Mr M about his "other income".

In all 3 loan applications since 2015, Mr M has said that he has "other income", and this has been taken into account by Provident in assessing affordability. But it doesn't appear that the "other income" has been verified. And because Mr M has said that he's never been in receipt of "other income" on any of his earlier loan applications which were assessed face to face, I think that Provident should have questioned Mr M further about this. I think it's likely that the "other income" has been overstated. This has made the loan look affordable when it wasn't.

The "other income" varies and on one application (loan ending 6802) is said to be £2000 per month, when Mr M's standard wages were £1900 per month. This looks odd and I think that Provident should have noticed this and asked for verification of the "other income".

I appreciate that Provident takes the view that it is entitled to rely on the information provided by Mr M. That's correct to a degree, but there's still an obligation to take proportionate steps to verify the information, and taking into account the fact that Mr M had a long history with Provident and had never had "additional income" of this level before means that Provident should have carried out further checks.

If one considers affordability based on Mr M's basic wages (excluding the "other income") it looks as if the last 3 loans were unaffordable. For instance, in relation to loan ending 4405, Mr M's wages were £1700 and his outgoings were £1559. This leaves him with disposable income of £141 per month, but the new monthly repayment on his loans was £392.

In relation to loan ending 6802, Mr M's monthly wages were £1900 with outgoings of £1972. At this point, Mr M's outgoings were more than his expenditure even before he took into consideration the new loan repayment.

Taking all of the available information into account I think that the last 3 loans taken out by Mr M were unaffordable. Mr M has said that he had to borrow money from elsewhere to meet his outgoings (including loan repayments) at this time, and this is in part supported by the information about his income and outgoings. I think that Provident should have done more to check the information provided by Mr M. If it had done so, I think it would have discovered that Mr M was in financial difficulties.

For the reasons given, I agree with the recommendation made by the investigator. Provident Personal Credit Limited should:

- Refund all interest and charges for the loans ending 7591,4405 and 6802
- Pay interest at 8% on the refunds from the date of payment to the date of settlement

- Write off interest and charges for the 3 loans mentioned above
- Remove any adverse information from Mr M's credit file in relation to the 3 loans mentioned above

The refund should be applied firstly to reduce Mr M's outstanding debt. Any balance must be paid to Knightsbridge Insolvency Services.

my final decision

My final decision is that Provident Personal Credit Limited should:

- Refund all interest and charges for the loans ending 7591,4405 and 6802
- Pay interest at 8% on the refunds from the date of payment to the date of settlement
- Write off interest and charges for the 3 loans mentioned above
- Remove any adverse information from Mr M's credit file in relation to the 3 loans mentioned above

The refund should be applied firstly to reduce Mr M's outstanding debt. Any balance must be paid to Knightsbridge Insolvency Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 February 2018.

Emma Davy
ombudsman