

complaint

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

background

This complaint is about three home collected credit loans that Provident provided to Mr S between September 2007 and November 2008.

Our adjudicator upheld Mr S' complaint about loans two and three and said that Mr S shouldn't have been provided with those loans.

Mr S didn't disagree with our adjudicator's view. But Provident didn't agree with it in full. So the complaint was passed to an ombudsman for review.

my findings

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 and unaffordable lending - including all the key 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 S could repay the 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 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 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).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr S' complaint.

It appears as though Mr S was in arrears on loan one when he was provided with loan two. And it seems to me that Provident ought to have been on notice that Mr S may have already been struggling to manage his existing commitments. I can't see how it was fair and reasonable for Provident to provide further loans in these circumstances. Provident accepts that Mr S may well have been having payment difficulties at the time of loan two. But it says

that these were temporary and that this doesn't mean that loan three also shouldn't have been provided.

I've carefully thought about what Provident has said. But I think that it is overlooking the fact that its agent would have been aware that Mr S' wife was also in arrears on loans too, as he had provided those loans and was collecting on them. So, in my view, Provident's agent will have been aware the household was struggling. And, in these circumstances, I don't think it was reasonable for the agent to conclude that Mr S would be able to make the payments to loan three. As this is the case, I'm upholding Mr S' complaint about loans two and three.

putting things right – what Provident needs to do

- the debt Provident sold on for loans two and three included interest and charges that Mr S shouldn't have to pay. So Provident should either contact the third party debt purchaser and pay it an amount to reduce what's due to the amount of what was borrowed, or buy back the debt from the third party and do this. Either way Provident needs to ensure that Mr S paid, or pays, no more in total than the amount he was lent. If Mr S has paid more than what he was lent, Provident needs to refund these extra 'overpayments' that Mr S paid;
- pay interest of 8% simple a year on any overpayments from the date they were paid (if they were) to the date of settlement†;
- if an outstanding balance remains on either loan after all adjustments have been made, Provident can deduct this from the compensation that it now needs to pay Mr S.

† HM Revenue & Customs requires Provident to take off tax from this interest. Provident must give Mr S a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons given above, I'm partially upholding Mr S's complaint. Provident Personal Credit Limited should pay Mr S compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 September 2019.

Jeshen Narayanan
ombudsman