

## **complaint**

Ms H complains that a loan from Provident Personal Credit Limited was unaffordable and shouldn't have been made to her.

## **background**

Ms H took out three loans with Provident between September 2014 and June 2015. Ms H complained that she was pressurised to take out the third loan which was unaffordable for her and shouldn't have been made to her. She wasn't satisfied with Provident's response so complained to this service. She would like the interest on all three loans to be refunded, all loans to be removed from her credit file and the balance of the third loan to be written off.

The adjudicator recommended that this complaint should be upheld. She said that Ms H was offered the third loan by text in June 2015 and asked if she could take up the offer in a few days but was told that she had to take out the loan that day. Ms H says that she assumed that the loan amount and duration would be the same as her previous loan so sent a code to accept the loan without reading the terms. And she says that when the agent visited her home that evening to complete the loan, he didn't ask if her circumstances had changed and didn't discuss the loan terms with her. Ms H's circumstances had changed as she hadn't been working for a couple of months. The adjudicator was persuaded by Ms H's version of events and concluded that - had the agent carried out an income and expenditure assessment and advised the consumer of the full terms of the loan - it was likely that Ms H would've realised the repayments were unaffordable and wouldn't have taken the loan out. So the adjudicator recommended that Provident should remove the interest applied to the third loan (reducing the outstanding balance to £385); set up a manageable repayment plan for that amount; ensure that no future entries regarding that loan are entered on Ms H's credit file; and pay her £100 compensation for the poor service provided by the agent and for the delay in providing Ms H with a final response to her complaint.

Provident has asked for this complaint to be considered by an ombudsman. It has responded in detail and says, in summary, that:

- Ms H hasn't provided evidence to show why she felt pressurised into taking out the loan;
- Ms H wanted the loan and she decided to proceed;
- Ms H's first and second loans were for different amounts and over different terms, so why did she assume the third loan would be for the same amount and term?
- Ms H should've notified Provident if her circumstances had changed;
- the weekly repayments for the third loan were less than Ms H's previous loan;
- Ms H had the right to withdraw from the loan within the first 14 days;
- Provident can't be held responsible for a customer not reading information which is sent to them and which forms an integral and very important aspect of the loan application;
- Ms H has had previous contact with management within the field, so why didn't she raise her concerns with them or contact its contact centre to raise her concerns;
- Ms H agreed to and is bound by the loan terms and conditions; and
- Provident no longer owns the debt so has no control over the account.

## **my findings**

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

The first loan was made to Ms H in September 2014. She borrowed £200 at an interest rate of 111.9% repayable over 23 weeks at £13 each week. The loan was repaid in December 2014. Almost immediately the second loan was made to Ms H. She borrowed an increased amount of £300 at an interest rate of 97.5% repayable over 32 weeks at £15 each week. That loan was repaid in June 2015 and the third loan was immediately offered to Ms H. The amount of the third loan was £400 – so a further increase – at an interest rate of 82% repayable over 52 weeks at £14 each week. Ms H only made one repayment of £15 to the third loan.

These loans indicate a growing reliance on credit for Ms H. As soon as one loan was repaid, another loan for a larger amount was taken out. So I consider that it would've been appropriate for Provident to properly assess whether the third loan was affordable for Ms H. And Provident hasn't provided any information to show that the loan's affordability was assessed. Had it properly assessed the affordability of the loan, Ms H's change in circumstances would've been identified and I consider it to be unlikely that Provident would've agreed to lend to her at that time and on the terms offered.

I find that the third loan was unaffordable for Ms H and that Provident shouldn't have made the loan to her. But Ms H has benefitted from the money that was loaned to her by Provident. So it wouldn't be fair or reasonable for me to require Provident to write off the loan. I find that it should remove all interest from the third loan to reduce the outstanding amount to £385. And it should then set-up an affordable repayment plan for that amount which takes proper account of Ms H's financial circumstances. I also find that it should ensure that no adverse information about the third loan is recorded on Ms H's credit file. Provident says that it no longer owns the debt. So it should arrange this with the current owner of the debt (by buying the account back from it if necessary).

These events have caused distress and inconvenience to Ms H. And Provident has caused delays in dealing with Ms H's complaint which will have caused her further distress and inconvenience. So I find that it would be fair and reasonable for Provident to pay (not credit) £100 to Ms H to compensate her for that distress and inconvenience.

### **my final decision**

So my decision is that I uphold Ms H's complaint in part. In full and final settlement of it, I order Provident Personal Credit Limit to:

1. Remove the interest applied to the third loan (reducing the outstanding balance reduced to £385).
2. Set up an affordable repayment plan for that amount which takes proper account of Ms H's financial circumstances.
3. Ensure that no adverse information about the third loan is recorded on Ms H's credit file.
4. Pay £100 to Ms H to compensate her for the distress and inconvenience that she has been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 5 September 2016.

Jarrold Hastings  
**ombudsman**