complaint

Mr O says Provident Personal Credit Limited irresponsibly lent to him.

background

This complaint is about two loans Provident provided to Mr O between February 2018 and April 2018. Mr O's borrowing history is as follows:

Loan	Date Taken Out	Date Repaid	Loan Amount	Loan + Interest	Highest Instalment
1	03/02/2018	07/12/2018	£300.00	£599.40	£66.00
2	25/04/2018	07/11/2018	£500.00	£806.00	£267.00

Our adjudicator felt Mr O's complaint shouldn't be upheld, and that Provident didn't do anything wrong when lending Mr O the two loans above. Mr O disagreed on the basis that he was given loan 2 before loan 1 had been paid off. And so, the complaint was passed to me to reach a final 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. We've set out our general approach to complaints about short-term lending - including all of the 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 O 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 consumer'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).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Provident was required to establish whether Mr O could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

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

why I think Provident's checks were proportionate *loans 1 and 2*

For loan 1 Mr O borrowed £300 for which he needed to repay around £66 per month for 11 months.

I've seen a record of the information Mr O provided when he completed this loan application. Mr O said he had a monthly income of £1,250 and had regular monthly outgoings of £460. This left him with a disposable monthly income of £790, so it seems he had sufficient funds to make the monthly repayments under the terms of the agreement, and I haven't seen any other information which makes me think this loan was unaffordable for him.

For loan 2 Mr O borrowed £500 for which he needed to repay around £201 per month for four months. At the time of this application Mr O declared that he still had a monthly income of £1,250, and his monthly outgoings hadn't changed from £460.

Mr O says that his complaint should be upheld because Provident agreed to lend him loan 2 while his first loan was still outstanding. But I've looked at the combined monthly repayments that Mr O would've been required to repay for the time these two loans were running at the same time. This amounts to a total of around £276. But Mr O still had a monthly disposable income of £790, so it looks like he would've been able to make the combined monthly repayments. So, from this evidence it looks like both loans were affordable for Mr O.

I haven't seen any further information that shows its likely Provident was made aware of any financial problems Mr O might've been having. Or anything that would've prompted it to investigate Mr O's circumstances further. So, I think it was reasonable for Provident to rely on the information it obtained.

So overall, in these circumstances, I think the assessments Provident did for these loans were proportionate. And I think its decision to lend Mr O loans 1 and 2 on the information it had was reasonable. So, I'm not upholding Mr O's complaint about these loans.

my final decision

For the reasons outlined above, I don't think this complaint should be upheld.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr O to accept or reject my decision before 24 April 2020.

Sienna Mahboobani
ombudsman