complaint

Mrs C complains that Provident Personal Credit Limited mis-sold her seven home credit loans in 2015 and 2016.

background

Mrs C took out eight home credit loans with Provident, one in 2009 and the others between March 2015 and December 2016. In early 2017 she stopped making payments on the final loan. In 2018 she complained that the loans were unaffordable and had been mis-sold. She asked for a refund of her interest and of any charges.

Provident did not agree that the loans were mis-sold. It said it had done proper affordability checks, and Mrs C's disposable income had been more than enough to make all of her loan repayments. Mrs C was not satisfied with that answer, so she brought this complaint to our Service, but only in relation to the loans since 2015. She said that the loans had just put her into more and more debt, and that the later loans had been offered to her in order to pay off the older loans.

Our adjudicator did not uphold this complaint. He said that Mrs C had told Provident what her income and outgoings were, and her disposable income had been enough to cover the repayments. It had been reasonable for Provident to rely on the information she had provided. She had managed her accounts well. Her credit file and (if Provident had looked at them) her bank statements would not have suggested that she could not afford the loans. She had had two defaults in 2012 and 2013, but as they were two and three years before the first loan, they need not have prevented Provident from lending to her. (She had had some defaults in 2017, but they were after the final loan so Provident would not have seen them.) He therefore decided that the loans had not been mis-sold.

Mrs C asked for an ombudsman's opinion. She also said that the 2017 defaults were Provident's fault.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I do not uphold it. I will explain why.

In deciding how to resolve this complaint, I have considered the following questions:

- Were the loans affordable?
- If they were not affordable, should Provident have realised they would not be?
- The answer to the second question will depend on whether Provident carried out proportionate and adequate affordability checks.

In deciding what checks Provident should have done, I have had regard to the *Consumer Credit Sourcebook*, issued by the Financial Conduct Authority.

The seven loans since 2015 were as follows:

Loan	Principal	Date sold	Date settled	Weekly repayments
1	£300	12/3/2015	11/8/2015	£15
2	£200	18/6/2015	15/12/2015	£10
3	£500	6/8/2015	1/6/2016	£17.50
4	£500	11/12/2015	31/8/2016	£17.50
5	£500	27/5/2016	21/12/2016	£17.50
6	£600	25/8/2016	Not yet	£21
7	£700	15/12/2016	Not yet	£25.20

As some of these loans overlapped with each other, the total amount Mrs C had to repay each week is set out in the next table. The table also shows Mrs C's weekly disposable income, as calculated by Provident based on what Mrs C told it about her income and expenditure (I&E). (I have not seen the I&E figures for the first two loans.) When assessing affordability, I think the amount she had to repay each week is more relevant than the total amount she had to repay over the term of each loan.

From	Loans	Total of weekly repayments	Disposable income
12/3/2015	1	£15	
18/6/2015	1 and 2	£25	
11/8/2015	2 and 3	£27.50	£72.34
15/12/2015	3 and 4	£35	£138.06
1/6/2016	4 and 5	£35	£169.42
31/8/2016	5 and 6	£38.50	£167.87
21/12/2016	6 and 7	£46.20	£178.13

It's clear that on the figures Mrs C provided from August 2018, all of the five loans since should easily have been affordable. It does not seem likely that Mrs C told Provident when she applied for the first two loans that she could not afford £15 or £25 a week, so I infer that loans 1 and 2 probably also appeared to be affordable to Provident, based on the I&E figures she likely gave it.

Provident was not the only lender Mrs C had loans with in 2015 and 2016. She also borrowed from other home credit businesses and credit unions at the same time. Her credit file shows that between December 2014 and May 2016 she took out nine other loans, which were all repaid by the end of 2016. These other loans also overlapped with each other. But the most she had to pay on those other loans was £328 a month in May 2016, which equates to a weekly figure of £75.69. Since Mrs C was paying Provident £35 a week at the time, that means she was paying a total of £110.69 a week to all of her lenders, at a time when she had declared that her disposable income was £138.06 a week. So I'm satisfied that even when all of her loans are taken into account, the loans were affordable.

Mrs C's payment history with Provident was good. She made a number of overpayments, so in the few weeks when she missed a payment she was still not in arrears. She was briefly in arrears for two weeks in March 2016, but then she cleared them. Provident was entitled to take her payment history into account, and it suggested that she could afford the loans.
I also note that she does not appear to have told Provident that she was struggling financially until after she took out the final loan, so there was no reason for Provident to realise that she was struggling until it was too late.

I have seen an entry in Provident's records which relates to a phone call with Mrs C in February 2018, which says:

> "Customer advised her circumstances had changed and loans caused her financial difficulty. She was fine with making payments until then."

The evidence I have seen does suggest that the difficulties Mrs C began to experience in 2017 were not the result of the loans being mis-sold, but something else. If Mrs C's circumstances changed after the final loan was sold, which meant that she could no longer afford the repayments, then that does not mean that the loans were mis-sold. I would expect Provident to treat her positively and sympathetically once it learned about her troubles, but that does not mean that it must refund her the interest.

I have seen Mrs C's bank statements from July 2015 to the end of 2016. There was nothing in that period to cause me concern or to suppose that she could not afford the loans. Her balance was almost always in credit, and when she was overdrawn it was only for a small amount and for a short time. She appears to have been in control of her finances.

So I am unable to conclude that the loans were unaffordable, or that Provident did insufficient affordability checks. Provident had good reason to conclude that Mrs C could afford the loans, and indeed she could afford them. They were not mis-sold.

I would add that the new loans were not used to pay off the old loans. The balance of each new loan was added to the balance outstanding on the previous loan. However, even when Mrs C was paying back loans 6 and 7, she still only needed to pay slightly more than one quarter of her disposable income to do so. She did not borrow from the other lenders after she took loan 7 with Provident. So the final loans were still affordable.

my final decision

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 22 December 2018.

Richard Wood
ombudsman