complaint

Miss D says Provident Personal Credit Limited ("Provident") irresponsibly lent to her.

background

This complaint is about eight home collected credit loans that Provident provided to Miss D from March 2010 onwards. Miss D's last loan was provided in May 2013.

Our adjudicator upheld Miss D's complaint about loans five to eight. So he thought that Miss D shouldn't have been provided with them loans. Provident didn't agree with our adjudicator. So the complaint was passed to me 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 Miss D 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).

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

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

Having looked at the overall pattern of Provident's lending history with Miss D, I think that Provident should reasonably have seen that Miss D was unlikely to have been able to make her loan repayments in a sustainable manner by the time it provided loan five.

I say this because by the time of loan five, Miss D was provided with a fifth loan within a relatively short period of time. Equally this one was for substantially more than what she was lent previously. In my view, Miss D now owing Provident an increased amount of money, after having already been indebted to it for an extended period, was in itself a clear demonstration of Miss D's inability to settle her loans over the life of the credit agreement.

Provident continued providing expensive loans for significant amounts after this. And Miss D ended up paying large amounts of interest to, in effect, service an increasing debt to Provident over an extended period until she was no longer in a position to. At which point Provident sold an outstanding debt on to a third party debt purchaser.

I've seen what Provident has said about the regulator's high cost credit review. But it hasn't provided anything to indicate that it carried out reasonable and proportionate checks before providing loans five to eight. Instead it seems to me that the checks it carried out for these loans were much the same as the ones it carried out previously. As Provident's checks didn't evolve and take account of Miss D's actual financial position, I don't think they were reasonable or proportionate and Provident's argument hasn't persuaded me that Miss D's complaint shouldn't be upheld.

I think that Miss D lost out because Provident provided these loans because they had the effect of unfairly prolonging Miss D's indebtedness by allowing her to take expensive credit intended for short-term use over an extended period of time. So I'm upholding Miss D's complaint about loans five to eight and Provident should put things right.

putting things right – what Provident needs to do

- refund all interest and charges Miss D paid on loans five to seven;
- the debt Provident sold on for loan eight included interest and charges that Miss D shouldn't have to pay. So Quick Quid 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 Miss D paid, or pays, no more in total than the amount she was lent. If Miss D has paid more than what she was lent, Provident needs to refund these extra 'overpayments' that Miss D paid;
- pay interest of 8% simple a year on any refunded interest, charges and overpayments from the date they were paid (if they were) to the date of settlement†;
- if an outstanding balance on loan eight remains after all adjustments have been made, Provident can deduct this from the compensation that it now needs to pay Miss D.

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

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 13 September 2019.

Jeshen Narayanan
ombudsman