

complaint

Miss S complains Provident Personal Credit Limited didn't carry out proper affordability checks and irresponsibly granted her unaffordable loans. She says she was given more than one loan at a time and was trapped in a lending cycle. She wants the charges and interest refunded.

background

Provident said in its final response that it'd completed all required checks when giving the loans. There were no risks identified in lending to Miss S.

Our adjudicator felt this complaint should be upheld. He said:

- Miss S was required to declare her monthly income and outgoings when she took out the loans. From the information she gave she appeared to have enough disposable income to repay them. But having reviewed her bank statements and credit file she understated her outgoings. Provident took her self declared income and expenditure in good faith.
- Provident says at the first point of contact its agent would get permission to carry out a credit search. But it hasn't provided any evidence to show it carried out one. Even so it was reasonable not to do one on the first loan given its amount.
- Miss S took out seven loans since April 2011. She struggled to repay the second one but then didn't take out another until nine months after it was repaid. Before she repaid the third loan she was allowed to take out the fourth loan for £700. And before she paid off the fourth loan she was allowed to take out the fifth loan for £1,200.
- Given her borrowing history it would've been reasonable for Provident to have carried out more checks when she took out the fifth loan. Her borrowing history indicated the loans weren't affordable. At that time she'd also payday loans and was in arrears on her mortgage and loan account and was in debt management plan. She'd also defaulted a few accounts. Her bank statements at that time also showed her outgoings were significantly higher than she'd declared. If Provident's agent had asked to see her statements Provident would've been aware of her true financial position. And that she couldn't afford to repay the loans.
- So, Provident should refund all interest and charges on all loans from 15 August 2014 plus interest. These loans should also be removed from her credit file.

Provident doesn't agree. In summary it says its agent saw Miss S' payslips when issuing credit. It carried out an affordability assessment. But it has never asked for bank statements or proof of income or outgoings. It relies on its agent's conversations with the borrower. Its home credit model is designed to allow the customer flexibility. Its checks were proportionate. It's sold on the debt to a third party.

my findings

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

I agree with the adjudicator's conclusions for the same reasons.

Provident was entitled to rely on the information Miss S gave. It says it carried out affordability checks including with credit reference agencies. But it's not clear exactly what checks it did carry out or exactly what information it relied on when deciding to make the loans to Miss S.

Whatever level of checks Provident carried out at the time of each loan application I think Miss S' borrowing history including of increasing and simultaneous loans should've alerted it to the fact that she may have been in some financial difficulty, the loans may have been unaffordable and particularly that he was becoming reliant on short term lending.

I agree with the adjudicator that it would've been reasonable for Provident to have reached this conclusion – at very latest – by the loan in August 2014. At very least it should've asked more questions and done more checks. If it'd done so, for example by looking at her bank statements, it would've realised that she was in financial difficulties.

Taking everything into account in this case I think the adjudicator's recommendations are a fair and reasonable resolution of this complaint. And I don't see any reason to change the proposed outcome in this case.

It appears Miss S' account has been sold by Provident to a third party. If so, and if Miss S accepts my final decision, Provident may have to reacquire the account to provide the redress I've recommended.

my final decision

I uphold this complaint and I require Provident Personal Credit Limited:

1. To refund all interest and charges on all loans from 15 August 2014 plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
2. To remove all loans from this date from Miss S' credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 28 November 2016.

Stephen Cooper
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