Financial Ombudsman Service

complaint

Miss R says Provident Personal Credit Limited lent to her irresponsibly. She says that she wasn't in a position to borrow money and Provident would've seen this if it had made better checks.

background

This complaint is about seven home credit loans Provident provided to Miss R over two periods. These were from June to September 2011 and August 2016 to February 2017.

loan number	date started	amount borrowed	term in weeks	date ended
1	25/06/2011	£100	31	27/10/2011
2	08/07/2011	£150	33	19/09/2011
3	15/09/2011	£300	55	09/11/2011
break in lending				
4	31/08/2016	£100	14	29/10/2016
5	29/11/2016	£200	26	18/02/2017
6	16/12/2016	£100	26	18/02/2017
7	21/02/2017	£1,000	78	21/06/2017

I should note that Provident has been unable to supply any information about loan numbers 4 to 7. I have taken the above information from the pass book Miss R has supplied. Whist this isn't ideal I think I have enough to decide the case in any event.

Our adjudicator didn't uphold the complaint. She thought that Provident should've made better checks at times. But she didn't have enough information to say what it would've seen had it made these checks so she wasn't able to uphold the complaint on this basis. Miss R disagreed with the adjudicator's opinion. She said that:

- her income wasn't great and she often didn't have enough to make the loan repayments easily
- Provident hasn't been able to show that it made the proper checks to see if she could repay the loans
- Provident recorded incorrect information about Miss R, the correct information would've shown that she couldn't afford the loan repayments.
- Provident went a long time without collecting payments which caused her problems

As no agreement has been reached the complaint has been passed to me.

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 and high cost credit - 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 Miss R 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.

In 2011 Miss R took three loans relatively close to together. But due to the length of time they were due to be repaid the loan repayments were relatively modest.

I've seen a record of the information Miss R provided when she completed her loan applications in 2011. Miss R said she had a monthly income of around £300 and she had regular monthly outgoings of around £150. This left her with a disposable income of about £150. So the loans would've seemed affordable to Provident.

The situation is less clear in 2016 as Provident hasn't been able to provide the information it obtained before approving this lending. Again the first three loan amounts were modest. But the fourth loan was larger. And Miss R seems to have used the proceeds from this to repay loans 5 and 6.

This does, perhaps, point to her having longer term problems managing her money. And I can accept, as our adjudicator did, that Provident probably should've done more before it approved the later loans in both groups of lending. But while Miss R has indicated that she was in financial difficulty she also hasn't been able to fully say, or provide evidence to show, what these problems were. So even if I were to find that Provident should've made better checks I wouldn't be able to say, with any degree of certainty, what these checks would've shown. So I can't uphold Miss R's complaint on this basis.

Whilst the loan pattern is concerning. It doesn't indicate that Miss R was having significant problems managing her money. And it isn't enough on its own to say that Provident shouldn't have lent.

And it follows that without further information I can't say that Provident recorded incorrect information about Miss R. This is because I don't know what the correct situation should've been. So I also can't uphold Miss R's complaint on this basis.

And having looked at the account statements provided by both parties I can't see any significant breaks in the repayment histories. Even if I these breaks were apparent I don't think I could reasonably say that these were due to the actions of Provident alone.

So overall, in these circumstances, I don't think Provident's decision to lend for all of these loans was unreasonable and I'm not upholding Miss R's complaint about them.

my final decision

For the reasons set out above, I don't uphold Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 19 March 2020.

Andy Burlinson
ombudsman