

complaint

Mr N says Provident Personal Credit Limited lent to him irresponsibly. He says the loans caused him to spiral into debt. This affected his financial situation and his health. He says Provident didn't assess his situation properly at the time of sale and it didn't look into his complaint properly.

background

This complaint is about ten home collected credit loans Provident provided to Mr N between November 2009 and November 2011.

loan number	date started	amount borrowed	term (weeks)	date ended
1	13/11/2009	£300	50	16/03/2010
2	10/03/2010	£400	50	11/01/2011
3	10/03/2010	£200	50	11/01/2011
4	09/08/2010	£300	50	12/07/2011
5	09/08/2010	£250	60	12/07/2011
6	08/01/2011	£400	60	10/01/2012
7	25/06/2011	£400	60	28/02/2012
8	09/07/2011	£400	60	26/03/2013
9	09/07/2011	£400	60	26/03/2013
10	18/11/2011	£400	60	31/07/2012

Our adjudicator partially upheld the complaint. She didn't think that Provident was wrong to approve loans 1 to 5. But she did think it was wrong to approve loans 6 to 10

Provident agreed with the adjudicator's recommendation and made an offer to settle the complaint in line with the adjudicator's recommendation.

Mr N didn't accept this offer. This was because he and his wife had both made complaints. He said they had taken a similar amount of loans but Provident had paid a larger amount of compensation to her – it had upheld all of Mrs N's lending. So he thought that his earlier loans should also be upheld.

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 N 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines 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 N's complaint. I agree that Mr N's complaint should be upheld in part and I've explained why below.

Provident has accepted our adjudicator's opinion about loans 6 to 10. Because of this I don't think there is any ongoing disagreement about these loans. So I won't be making a decision about this lending. But, I've included these loans in my putting things right section below for completeness.

should Provident have approved loans 1 to 5?

Provident hasn't been able to supply full information about the checks it did before approving loans 1 to 5. And Mr N has also been unable to supply much information about his circumstances at the time of sale. This is understandable given the time that has passed since these loans were arranged.

The information I do have shows that Provident is likely to have looked at Mr N's income and expenditure before lending. I think this would be proportionate in respect of loans 1 to 3 given that this was early on in the lending relationship and the amounts he was borrowing were relatively small and would've had a fairly small weekly repayment commitment. So I don't think that Provident was likely to be acting incorrectly when it approved loans 1 to 3.

In respect of loans 4 and 5 it is possible that Provident should have made more detailed checks into Mr N's circumstances before approving these loans. But as I said above, Mr N hasn't been able to provide enough information to allow me to say with any degree of certainty what Provident would've seen if it had made these further checks. So I'm not persuaded that Provident was acting incorrectly when it approved loans 4 and 5.

I haven't seen any further information that shows its likely Provident was made aware of any financial problems Mr N might've been having. And so I also don't think it's reasonable to uphold his complaint on this basis.

So, overall, I think Provident's decisions to lend for loans 1 to 5 were likely to be reasonable and I'm not upholding Mr N's complaint about them.

What seems to have happened here is that Provident has made a commercial decision about Mrs N's complaint to pay a certain amount of compensation. It hasn't done this in Mr N's case as our adjudicator had already reviewed it.

Whilst this is unfortunate, and I can see why Mr N thinks it is unfair, I must look at each complaint individually. And so the fact that Provident may have treated his wife differently isn't really relevant to Mr N's complaint. I must reach an outcome that is fair and make award based on my consideration of Mr N's individual circumstances only. Which I'm satisfied I've done here.

putting things right – what Provident needs to do

Provident shouldn't have given Mr N loans 6 to 10.

Provident should add together the total of the repayments made by Mr N towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything Provident have already refunded.

A) Provident should calculate 8% simple interest* on the individual payments made by Mr N which were considered as part of "A", calculated from the date Mr N originally made the payments, to the date the complaint is settled.

B) Provident should pay Mr N the total of "A" plus "B".

C). The overall pattern of Mr N's borrowing for loans 6 to 10 means any information recorded about them is adverse, so Provident should remove these loans entirely from Mr N's credit file. If Provident have sold any of the loans Provident should ask the debt purchaser to do the same.

*HM Revenue & Customs requires Provident to deduct tax from this interest. Provident should give Mr N a certificate showing how much tax Provident has deducted, if they ask for one.

my final decision

For the reasons I've explained, I partly uphold Mr N's complaint.

Provident Personal Credit Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr N to accept or reject my decision before 27 August 2020.

Andy Burlinson
ombudsman