complaint

Mr T complains that Greenwood Personal Credit Limited (GPC) gave him loans irresponsibly. He is represented by a family member but I'll refer to everything that's said on his behalf as if Mr T had said it, for ease of reading.

background

The background to this complaint and my provisional findings are set out in my provisional decision dated 21 June 2017 – a copy of which is attached and forms part of my final decision. In my provisional decision I explained what I'd decided about this complaint and what I intended to do – subject to any further submissions from the parties by 5 July 2017.

my findings

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

Mr T and GPC have both acknowledged receipt of my provisional decision. GPC had some queries which our adjudicator has responded to. GPC and Mr T haven't provided any further evidence for me to consider so I see no reason to depart from my provisional decision.

my final decision

My decision is I uphold this complaint in part. In full and final settlement I require Greenwood Personal Credit Limited to

1. refund interest on loans 4 and 5;
2. remove any adverse information recorded about loans 4 and 5 from Mr T's credit file;
3. pay interest at 8% simple a year on any refund from the date of payment to the date of settlement.

If GPC considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 August 2017.

Claire Jackson
ombudsman

copy provisional decision

complaint

Mr T complains that Greenwood Personal Credit Limited (GPC) gave him loans irresponsibly. He is represented by a family member but I'll refer to everything that's said on his behalf as if Mr T had said it, for ease of reading.

background

Mr T got five loans from GPC between 2011 and 2013. He was a pensioner on a fixed income and had a bank overdraft, unsecured loans and payday loans at the time. Mr T says he became dependant on this borrowing for day to day living, he struggled with repayments and the loans GPC gave him weren't affordable.

A relative contacted all of Mr T's creditors, including GPC, in September 2012 to explain he was in financial trouble and ask for help. Mr T says GPC didn't respond or provide any support. He thinks the GPC agent who called at his home encouraged him to take on more loans. And it was wrong of GPC to let him borrow money in this way. He'd like GPC to refund interest and charges on all five loans.

GPC says it did proper and proportionate checks - before providing each loan it asked Mr T about his income and outgoings and took his repayment history into account. It considers Mr T's financial situation at the relevant times suggested the loans were affordable. And it showed forbearance when Mr T needed to reduce his weekly payments.

Our adjudicator thinks the first three loans looked affordable. But she considers GPC should have done more checks before proving the fourth and fifth loans because

- Mr T's borrowing was increasing - loans were overlapping and his repayment history for loan three suggests he had difficulty paying the money back on time;
- Mr T told GPC he was having financial problems in September 2012;
- there was a significant increase in the borrowing for loan 5;
- it should have been clear from loans 3 and 4 that Mr T couldn't meet his contractual repayments so he was unlikely to be able to meet a higher weekly payment for loan 5 sustainably; and
- loan five took nearly three years to pay off.

Our adjudicator thinks GPC is unlikely to have agreed to the last two loans if it had done some more reasonable checks. It could have verified Mr T's spending, for example, by looking at his credit file. She's satisfied that shows Mr T was paying off other debts of more than £3,000 at the time. Or it could have asked to see some bank statements. Overall, our adjudicator is satisfied that loans 4 and 5 probably weren't affordable and she recommends GPC should refund interest and charges for those two loans plus interest and remove related entries from Mr T's credit file.

GPC doesn't agree that there was any reason to do more checks before providing loan 4. It considers additional checks would have been disproportionate to the amount being borrowed. And, whilst there was a change in Mr T's financial circumstances in September 2012, this was after loan 4 was issued. It says that change was temporary and Mr T went back to paying his contractual amount each week after that, in the main. So, looking at his repayment history, it wasn't wrong to give Mr T his fourth loan.

GPC accepts there may have been some cause for concern when Mr T was paying off loan 4. It offered to refund interest of over £1,000 for loan 5 and remove that loan from Mr T's credit file. Mr T didn't accept that offer so GPC asked for an ombudsman to review the matter.

my provisional findings

I've considered all the evidence and arguments available so far to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

Under industry guidance in place at the time GPC was required to take reasonable and proportionate steps to ensure that Mr T was likely to be able to repay the money he borrowed here in a sustainable way. That means GPC should have satisfied itself that Mr T was likely to be able to maintain weekly repayments out of income or savings and without incurring or increasing problem debt.

GPC has explained its lending process in some detail. I note what it says about lending to a non-standard customer base and all that entails. I accept the loans it provides aren't payday loans. And I take on board the fact that GPC's loans are structured so that interest and charges don't increase if a borrower has to reduce or miss payments or can't repay a loan within the original timescale.

Mr T applied for his first loan from GPC in November 2011. He agreed to repay £660 over 33 weeks at £20 a week. GPC asked about income and outgoings and Mr T said his joint household income was about £350 a week with essential outgoings of about £180 a week and other weekly credit commitments of £20.

I don't think those checks were unreasonable. And I accept it looked as if Mr T had enough spare each week to repay loan 1 so I can't fairly find GPC was wrong to provide it. Loan 1 was repaid at the end of February 2012. Mr T had taken out a second loan in the meantime, at the start of January 2012, when he agreed to repay £880 over 55 weeks at £16 a week. Mr T provided roughly the same income and expenditure information. And I don't think loan 2 looked unaffordable either.

Mr T took out a third loan in February 2012. This time he agreed to repay £1,056 at nearly £20 a week for 55 weeks. He was still paying off the first two loans at the time. But the relevant weekly payments seem to have been taken into account in the outgoings Mr T declared on his application for loan 3. I think the disposable income suggested Mr T still had enough spare cash each week to meet all of the repayments sustainably so I can't fairly find it was irresponsible of GPC to lend Mr T the money.

As our adjudicator has noted, Mr T seemed to struggle a bit when it came to repaying loan 3. But, I accept that didn't happen until September 2012 – which is after Mr T applied for loan 4. So I don't think I can reasonably find GPC should have done more checks before providing loan 4 solely on the grounds of loan 3's repayment history. But, I am minded to find there are other reasons which suggest GPC should have taken a closer look at Mr T's finances before giving him his fourth loan.

Mr T applied for loan 4 in July 2012. He agreed to pay back over £1,000 at about £20 a week. He declared slightly higher income than he had for the earlier loans - £400 a week – and the same essential outgoings of about £180 a week. Mr T also indicated he had credit commitments of about £35 a week – presumably to take account of the weekly payments he was still making under loans 2 (£16) and 3 (£19.20). And I accept loan 4 looked affordable - if GPC had no reason to question the information Mr T supplied and that's all it looked at.

But, the income and expenditure Mr T provided to GPC was joint - for his household. I don't think it's reasonable to look at joint income and exclude joint expenditure in this situation. GPC says its agents have a greater understanding of customers' circumstances because of their weekly interactions - and they take care to ensure other credit commitments are taken into account. And it looks as it the same GPC agent had given Mr T's wife a separate loan just a month beforehand. So I think it should reasonably have known that Mr T had in fact underestimated the household outgoings by at least £25 a week when he asked for loan 4.

I realise taking that £25 alone into account doesn't mean loan 4 looked unaffordable. But, taken with other information GPC had at the relevant time, I think there were a number of red flags at this stage. I'm satisfied GPC should have been aware that Mr T was on a fixed income, he'd applied for four loans in eight months - doubling the amount borrowed - and agreed to repay nearly £4,000 over that time. Mr T still owed about £450 on loan 2 at this stage (that balance seems to have been paid off with money from loan 4). Loan 3 was still outstanding and Mr T had now underestimated his outgoings.

Taking everything into account, I think it would have been reasonable for GPC to consider whether Mr T might be struggling – and do some more checks before lending further. GPC says it's not uncommon for customers to take out repeat loans, re-finance a loan or have more than one loan at a time – they use the money to *"smooth out life's expenses".* It gives examples of customers taking one loan out to pay for a holiday and then asking for another to buy new household goods.

I appreciate that may well be the case for many customers, but I've seen no evidence to suggest that applies to Mr T's borrowing here. GPC acknowledges its customers "*typically have little leeway in their incomes".* And I think that's all the more reason for GPC to take care when lending - especially when there's evidence a customer may not have been completely forthcoming about his expenditure - which seems to be the case here.

I accept repeat borrowing isn't necessarily unaffordable borrowing. But, GPC was obliged to take reasonable steps to ensure that the loans it gave Mr T here were likely to be affordable for *him*. As such, it was required to take a proportionate look at Mr T's financial situation - and check further if there were signs that he might be having financial problems.

I consider there were several such signs here. And I don't think it's reasonable for a lender like GPC to make assumptions about the potential causes when it sees these sorts of indicators. I'm not persuaded it would have been too difficult or disproportionate for GPC to do a few more checks before providing loan 4, given the amount of the borrowing and overall circumstances.

GPC could have looked at Mr T's credit file to see if he had other debts. If it had done so I think GPC would probably have realised Mr T was borrowing not insubstantial sums from other lenders. Alternatively, I don't think it would have been very hard for the agent - who called weekly and, as GPC says, was *"uniquely placed"* to assess a customer's situation – to ask Mr T for more details and/or verification of his spending by checking say bank statements.

I've looked at Mr T's credit file and some of his bank statements for the relevant time. I'm satisfied the essential outgoings he told GPC about weren't unrealistic. But it's clear that Mr T was borrowing from several different sources at this time – including high cost, short term lenders. Repayments to those other creditors amounted to about £176 a week for the three months before Mr T applied for his fourth loan.

Mr T was already paying GPC about £35 a week for loans 2 and 3. I accept loan 2 was paid off not long after Mr T took out loan 4 - but I think that's probably because he used some of the money from loan 4 to repay it. And Mr T wrote to GPC just over a month after he took out loan 4 to say he was in financial difficulties. His representative has explained Mr T had serious personal problems at this time and he'd become desperate to find ways to pay off mounting debts. I suspect Mr T might have told GPC he was in trouble earlier if it had made reasonable enquiries when he asked for the fourth loan.

Given all of the circumstances, I am minded to find that GPC should have done some more checks here. If it had, I think it's more likely than not GPC would have realised Mr T probably wasn't in a position to pay loan 4 back sustainably. So, on the information I've seen so far, I'm minded to find it was irresponsible of GPC to provide loan 4 and require it to refund interest and remove any related adverse information from Mr T's credit file.

GPC seems to accept it shouldn't have provided loan 5. It has offered to refund interest on that loan and rectify Mr T's credit file. I find that fair and reasonable in the circumstances.

provisional decision

For the reasons I've explained, and subject to any further submissions I may receive from Mr T or GPC by 5 July 2017, I intend to require Greenwood Personal Credit Limited to

4. refund interest on loans 4 and 5;
5. remove any adverse information recorded about loans 4 and 5 from Mr T's credit file;
6. pay interest at 8% simple a year on any refund from the date of payment to the date of settlement.