

complaint

Mrs M says Provident Personal Credit Limited ("Provident") agreed to lend her money that she couldn't afford to pay back.

background

Mrs M has had a series of loans with Provident. She has complained about the ten she's taken out since August 2012. Mrs M says that she couldn't afford to pay these loans back and that taking them out caused her significant financial difficulties. She thinks Provident should refund all of the interest she's paid on them.

Our investigator looked at the complaint and didn't think Provident had done anything wrong. Overall, she considered that the checks Provident had carried out were proportionate and that it was reasonable for it to consider these loans affordable. Mrs M disagreed with the investigator's opinion and so the complaint was passed to me to make a final decision.

I contacted both Provident and Mrs M to set out my initial thoughts on the complaint. These were that Provident hadn't done anything wrong in connection with most of these loans. But I had concerns about the loan Mrs M took out in February 2017. I wasn't persuaded that this was affordable to Mrs M and so I recommended Provident compensate her for it.

Provident agreed to this proposal. Mrs M, however, didn't agree that the loans prior to February 2017 were affordable. She thinks that all of the loans she took out with Provident were unaffordable and that she should be compensated for all of them. As it wasn't possible to resolve the matter informally, the case has been passed to me to come to a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And having done so, my decision is the same as that which I've set out to the parties already. I know this will come as a significant disappointment to Mrs M so I'd like to set out my reasons below.

Provident has a duty to lend responsibly. It needs to carry out appropriate checks to make sure any loan is affordable. What those checks are depend on factors such as the size of the loan, the repayments and the customer's income and expenditure. It's not obliged to check bank statements but if it has any concerns about the information provided then they might choose to look at them, carry out further checks or restrict the number of loans being given.

February 2017 loan

When the income and expenditure questionnaire was completed in connection with this loan, I can see that the expenditure Mrs M allocated to food had dropped significantly from her prior loan application. In December 2016, she apparently told Provident her food spending was around £45 per week. By the time she applied for the loan in February 2017, this had dropped to £20 a week. It didn't appear that there had been any change in domestic arrangements that would explain why her food expenditure would significantly reduce in such a short period of time.

I think it should've been apparent to Provident that Mrs M was likely to experience financial difficulties in the near future if the only way she could afford this loan was to cut back on food expenditure. For that reason, I don't think it should've agreed to this loan.

other loans

Provident said it asked Mrs M for details of her income and expenditure. They were entitled to rely on the information which she provided and this information suggested that these loans were affordable. In addition, Mrs M's repayment history wouldn't have given rise to any concerns about her ability to afford the loans.

On balance, I think Provident carried out appropriate checks before lending to Mrs M on the remaining loans. I consider those checks to have been reasonable and proportionate to the size of the loans.

my final decision

For the reasons I've set out above, I uphold this complaint in part. Provident Personal Credit Limited needs to:

- waive all interest and charges added to the loan Mrs M took out in February 2017
- add 8% simple interest per year to these amounts from the dates Mrs M paid them until the date of settlement.
- remove adverse information relating to that loan from her credit file

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 10 May 2018.

James Kimmitt
ombudsman