

## **complaint**

Mr P has complained that Provident Personal Credit Limited provided him with loans that were unaffordable, and the implications of taking out the loans were not properly explained to him.

## **background**

### *facts*

Mr P took out around ten home credit loans with Provident between May 2007 and May 2012. In the March of 2012, Mr P was made redundant. I understand that two of the loans remain outstanding.

Mr P feels that he was encouraged to take out further loans to cover arrears, and that the repayments were not affordable for him. Provident disagrees, saying it carried out affordability checks, that it extended further credit as Mr P had an excellent repayment history up until May 2012, and that when it found out he was in financial difficulty it gave him a 'reduced rate waiver'.

Our adjudicator recommended that the complaint should be upheld in part. She considered that the two loans from May 2012 should not have been given, partly because Mr P had been made redundant in the March and partly because he was in arrears on a previous loan from July 2011. She recommended that the interest and charges on these loans should be refunded, and any record of these loans removed from Mr P's credit file. She also felt that interest on a previous loan, which remained outstanding, should have been frozen from 19 May 2012 onwards.

If these refunds were not sufficient to cover the outstanding balance, the adjudicator felt this should be written off. She also felt Mr P had been caused distress and inconvenience, for which £100 compensation was appropriate.

### *my provisional decision*

As I disagreed slightly with the adjudicator's proposed redress, I issued a provisional decision, to give both Mr P and Provident the opportunity to submit any further comments.

It was clear to me that the two loans from 19 May 2012 should not have been given. This is because Mr P was already in arrears on his outstanding loan from 9 July 2011. Further, he was on benefits by March 2012, so his disposable income would presumably have been even lower, making him far less likely to be able to make the existing repayments, never mind the new ones for the two May loans.

What I felt should have happened at this point, is that the two loans from 19 May 2012 should not have been granted. This means any record of them should also be removed from his credit file. Further, the interest and charges should have at that time (19 May 2012) been frozen on the two outstanding loans of 9 July 2011, to reflect the fact Mr P was seemingly by then in financial difficulty.

However, I did not feel any of the principal loan amounts should be written off. I thought this would be unfair, as Mr P has had the benefit of these sums.

I also felt that the granting of unaffordable loans, and not reacting positively to Mr P's circumstances, caused him distress and inconvenience. I considered £200 compensation to be appropriate to address this.

If any debt remains, after the above settlement is taken into account, I felt Provident should set up a reasonable repayment plan with Mr P, taking into account his financial circumstances.

### **my findings**

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

As neither Mr P nor Provident provided any further submissions, I see no reason to depart from my provisional findings.

### **my final decision**

For the reasons given above, it's my final decision to uphold this complaint. I require Provident Personal Credit Limited to:

- a) refund all interest and charges in respect of the two loans from 19 May 2012, adding 8% simple interest per year, from the date any payments towards these were made by Mr P, to the date of settlement;
- b) remove any records of the two loans of 19 May 2012 from Mr P's credit file;
- c) refund all interest and charges in respect of the two loans of 9 July 2011, from 19 May 2012 to the date of settlement (for the outstanding loan), and from 19 May 2012 to 26 November 2013 (for the loan that was ultimately paid off) - adding 8% simple interest per year, from the date any payments towards these were made by Mr P, to the date of settlement;
- d) pay £200 compensation for the distress and inconvenience caused; and
- e) set up a fair repayment plan for any outstanding debt.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 9 October 2015.

Elsbeth Wood  
**ombudsman**