

complaint

Miss B is unhappy because she says that Provident Personal Credit Limited lent her money which she couldn't afford to pay back.

background

Miss B took out 19 loans with Provident between 2011 and 2015. She says that Provident didn't do enough checks to make sure that she could afford to pay the money back. Miss B told us that she didn't have time to review the information that the agent put on the application forms and that when she asked to pay the money back over a longer period of time she was told she'd need to take out new loans. Miss B also told us that her payslips weren't checked and that if proper checks had been carried out it would've been clear she couldn't afford to borrow the money.

Provident says that it carried out enough checks to make sure that the loans were affordable for Miss B. They also say that the loan agreements were provided to Miss B and details of how to withdraw from the agreement were on the documents.

Our adjudicator looked into the complaint. Initially he didn't uphold the complaint. Miss B provided further information as she was able to obtain copies of her bank statements which had more detail about her income and expenditure. Having reviewed the further information the adjudicator concluded that sufficient checks had been completed on the first four loans. However, he didn't think that the checks from loan 5 onwards went far enough. He thought that if Provident had done more checks they'd have seen that Miss B could afford to make the repayments up until and including Loan 11. However, from that point he didn't think Miss B could afford the repayments. He set out in some detail the information he'd relied on in reaching those conclusions. So he recommended that Provident refunded all interest and charges that Miss B paid on Loans 12 to 19, paid interest of 8% simple a year on all refunds from the date of payment to the date of settlement and removed any negative information about these loans from her credit file.

Provident didn't agree. They emphasised that their business model ensured that the loans were affordable and that the checks were proportionate to the amount of money Miss B borrowed. So I need to make a 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.

Provident had a responsibility to ensure that they made a fair assessment of Miss B's ability to pay back the loans at the time that she entered into each of the loan agreements. If I think that Provident didn't carry out a fair assessment then I need to decide whether Miss B has lost out as a result.

the opportunity to review information on the application forms

Miss B has explained that she didn't have time to review the information that the agent put on the application and that the documents were just handed over to her to sign. But Miss B had an ongoing relationship with Provident over around four years and didn't suggest to them that this was an issue at the time she was making any of the 19 applications.

Furthermore the evidence I've seen indicates that it's most likely that she was provided with copies of the loan agreements which contained information about her income and outgoings. So I think that if she had consistent concerns about the accuracy of the information being recorded there were a number of opportunities for her to raise this and correct it. And, as Miss B made a number of applications, I think it's likely that she would've been aware it was something to look at before committing to other loans. So I've not seen enough evidence to make me think that Provident treated Miss B unfairly in this respect.

Miss B mentioned in response to our adjudicator that her rental income would appear correctly on her bank statements. I want to confirm that this has been taken into account when deciding whether the loans were likely to have been affordable for her.

the opportunity to extend the loans

Miss B has mentioned that she wanted to extend some of the loans rather than take out new ones. She's not provided very detailed testimony on this point. And, as I've outlined above, she had an ongoing relationship with Provident for some time. So if she was unhappy with how her account was being administered I think there was an opportunity for her to raise it before committing to further borrowing. Therefore, I've not seen enough evidence to conclude that Provident encouraged her to take out further loans.

loans 1 to 4

Between September 2011 and December 2012 Miss B took out four loans for amounts between £100 and £600. The repayments were all under £20 per week. Some of the loans were taken out to pay off other debts, according to the information on the loan agreements. But the loans were for relatively small amounts of money and based on the information that Miss B has provided it seems most likely that she had enough money left over each month to pay them. So I'm satisfied that at that point in time the checks were proportionate to the amount that she was borrowing and that they were affordable for her.

loans 5 to 11

I think that by the time that Miss B took out the fifth loan Provident ought to have been carrying out a more in depth checks into Miss B's circumstances. Before Miss B paid off the fourth loan she borrowed more money. The loans increasingly began to overlap and her borrowing became more frequent. The repayment period also began to increase and during this period Miss B typically borrowed more than £500. She also took out loans for £1000 on three occasions within less than six months. And in relation to each of these loans she'd be paying back around £2000 in total. Miss B has also provided a copy of her credit file which shows that during this period she was also defaulting on payments to other lenders. So I think that all of this ought to have indicated that Miss B was having some financial worries.

However, having reviewed Miss B's bank statement even if more detailed checks had been carried out it seems likely that Miss B could have managed to pay the money back, based on the information that I've seen about her income and outgoings at that time. So although I think further checks should have been carried out I don't think that the loans would've been unaffordable for Miss B.

loans 12 to 19

Miss B continued to borrow money from Provident and for the same reasons that I've outlined above I think that more checks should have been taking place from a much earlier point in time.

Loans 11 and 12 were issued on the same day and were both for £1000. However, from the point that Loan 12 was taken out it seems most likely, based on the information in Miss B's statements, that she no longer had enough spare money to meet the repayments and that the remaining loans were unaffordable for her.

Provident says that it didn't use statements as part of the checks for a variety of reasons, including that the statements don't offer a complete and up to date picture and don't eliminate the risk of fraud.

Our investigator didn't suggest that Provident should have checked the statements. He concluded that Provident hadn't done enough checks to make sure that Miss B could afford the remaining loans. So he used the statements to gain a better understanding of Miss B's income and outgoings over that period of time. And based on that information he concluded that Miss B didn't have enough money left over to meet the repayments from Loan 12 onwards.

Provident is entitled to rely on the information that a customer provides. But they also have a responsibility to ensure that the lending is affordable. I think that Miss B's financial history, including the level and increasing frequency of her borrowing, indicated that she was having some money worries. Her history also suggested that she was increasingly relying on Provident loans to get by and manage her everyday expenses. So I think that had more checks been carried out it is most likely that Provident would have identified that Miss B was going to struggle to make the repayments.

putting things right

Provident needs to put things right by:

- Refunding all interest and charges that Miss B paid on Loans 12 to 19 ;
- Paying interest of 8% simple a year on all refunds from the date of payment to the date of settlement*
- Removing any negative information about these loans from Miss B's credit file.

*HM Revenue & Customs requires Provident to take off tax from this interest. They must give Miss B a certificate showing how much tax they have taken off if she asks for one. If Provident intend to apply the refund to reduce any outstanding capital balance, they must do so after deducting the tax.

my final decision

I'm upholding Miss B's complaint against Provident Personal Credit Limited. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 22 July 2018.

Anna Wilshaw
ombudsman