

complaint

Mr W complains that Provident Personal Credit Limited lent him money irresponsibly because they failed to carry out a proper affordability check before the loans were agreed.

background

Mr W took out 3 loans with Provident between January 2015 and March 2016. The amount of the loans ranged from £200 to £300.

Mr W says that at the time he took out the loans he was in an IVA. He says that having taken out the loans he was left with no choice but to borrow from other sources to make the repayments. Mr W says that he couldn't afford the loan repayments because all of his income had to be paid into the IVA.

Mr W says that the Provident agent told him what to include on his loan application. He says he was told to leave out some of his outgoings so that the loans would be approved. Mr W also says that his credit file wasn't checked before the loans were approved. He says that if Provident had carried out sufficient checks it would have been clear that the loans weren't affordable.

In its final response Provident said it had carried out checks before approving the loans, including checking details of Mr W's income and expenditure. It said that based on the information provided by Mr W, he had sufficient disposable income to meet the loan repayments.

Mr W wasn't happy with Provident's response so he complained to this service.

Our investigator didn't uphold the complaint. He said that Provident had carried out proportionate checks before approving each of the loans. He also said that the information provided by Mr W about his income and expenditure showed that he had sufficient disposable income to make the repayments.

Mr W didn't agree. He said that if Provident had carried out credit checks it would have seen that he had several creditors on his credit file. He said that his credit file would also have shown that he was in an IVA between 2009 and 2016. Mr W said he couldn't prove that the Provident agent told him to leave out some of his outgoings but said it had happened. He felt that Provident had acted irresponsibly in lending to him when he already had debt problems.

my findings

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

In deciding whether it's appropriate to advance credit lenders must undertake reasonable and proportionate checks to see whether the lending is affordable. The checks the lender is required to do depend on several factors including the amount of credit, the level of repayments, what the lender knows about the customer and the information the customer has provided.

Based on the information Mr W provided to Provident about his income and outgoings, Provident has said that the loans were affordable. Provident is entitled to rely on the information which Mr W provided about his income and outgoings, and I think that the information provided by Mr W suggests that the loans were affordable because he has sufficient disposable income to make the repayments.

I've taken account of what Mr W has said about the Provident agent telling him to leave out some of his outgoings so that his disposable income appeared greater. Mr W hasn't provided any evidence to show that this happened. Further, Mr W has signed each of the loan applications to confirm that he was happy with the information provided. If Mr W felt that the information on the applications didn't accurately reflect his financial position, he shouldn't have signed the forms.

In any event, Provident has said that for the last two loans, affordability was assessed using a lending tool which uses modelled outgoings based on data obtained from the ONS. This tool is designed to prevent understatements in declared outgoings. So even if Mr W hadn't included all of his outgoings, I'm satisfied that Provident would have obtained reasonably accurate details of the level of outgoings.

I understand Mr W's concern that Provident approved the loans whilst he was in an IVA. He's also questioned whether Provident carried out a credit check, because he says he had several adverse entries. I don't doubt what Mr W says about his credit file. But the fact that Mr W was in an IVA doesn't mean that Provident shouldn't have agreed the loans if it was satisfied that the loans were affordable. Every lender has different lending criteria which it uses to assess risk. In this case, Provident has said that Mr W satisfied its lending criteria.

As I've already said, the checks which a lender is required to do depend on several factors. In this case, and in relation to the last two loans, Provident looked at Mr W's account history and saw that he had repaid his first loan with most of those repayments having been made on time. Taking this into account along with the information which Mr W provided about his income and expenditure, I can't say that Provident failed to check that the loans were affordable or that it lent irresponsibly.

I understand that Mr W has queried why Provident has searched his credit file recently. Unfortunately I don't hold any information about this so I'm unable to say why. I think the best course of action is for Mr W to contact Provident directly about this.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 December 2018.

Emma Davy
ombudsman