Financial Ombudsman Service

complaint

Mr V complains that Provident Personal Credit Limited, trading as Provident Personal Credit, ("PPC") acted irresponsibly when agreeing to lend him three loans in 2011.

background

Mr V took out three loans with PPC in 2011. The first loan was for £500 and was taken out in May 2011. The second loan was for £300 and taken out in August 2011, and the last was for £1,000 and taken out in late October 2011. All the loans were fully repaid. Mr V said that PPC should not have lent to him. He said that it failed to carry out any affordability checks, and that it should have realised that he had taken out loans with other companies, and taken into account the defaults and missed payments shown on his credit file. He would like PPC to refund all the fees and charges applied to the loans and to pay him £300 compensation for the distress caused by the financial difficulties arising from the loans.

The adjudicator did not recommend that the complaint should be upheld. She was satisfied that PPC had carried out an affordability assessment in line with its internal policy. Furthermore, as the loans were all fully repaid on time, she was satisfied that they were affordable at the time. She had also looked at Mr V's repayment history and noted that he had a good record of managing his loan. She also noted that the loan agreement gave the full details of the loans including the interest applicable. His customer details form also showed that Mr V was employed full time and earning £300 per week as opposed to the £300 per month stated in his letter to PPC in July 2014.

Mr V disagreed and responded to say, in summary, that at the time he applied for the loans he had six defaults showing on his credit file, many loans with payday lenders and a history of many missed payments. He said that it should have been clear to PPC, if it had carried out an affordability check, that he was in financial difficulties.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Generally, this service does not interfere in a lender's legitimate use of its commercial judgment. It is primarily for a lender to decide whether it is prepared to lend to a customer, and if so, how much and on what terms. However, we do expect a lender to assess whether any lending will be affordable when making that judgment, in line with regulatory requirements, and industry codes.

I have carefully examined the circumstances surrounding the agreement of the three loans. I note that Mr V completed and signed a customer details form for each of the loans. He provided PPC with details of his income and outgoings for each form which PPC assessed. It then calculated his disposable income. I note that Mr V originally told PPC that he worked full time and earned £300 per week. By signing each of PPC's customer details forms, he confirmed that the information he had given it was correct. The assessments on the forms showed that Mr V had enough money to make the loan repayments.

I also note that PPC explained that when a customer first takes a loan with it, it will only lend a small amount over a relatively short repayment period. When further credit is applied for, it takes into account information about the borrower's existing accounts with it and the repayment history. It said that Mr V had an excellent repayment history with it and only missed 12 weekly payments in 18 months as a customer, and ten of these were after the third loan was issued. So, as only two weekly payments were missed for the first two loans, this suggests that the first two loans were affordable. PPC also said that the majority of the missed repayments were caught up at a later date.

PPC also said that Mr V used his third loan of £1,000 to repay the balance of his first two loans with it, and by doing so he reduced his weekly repayments from £33.50 to £30. I note that Mr V paid off his final loan by the due date at the end of 2012. I consider that the fact that he was able to do this suggests that the final loan was also affordable.

Mr V has referred to the adverse entries shown on the credit files from 2014 provided to this service. But, I have not seen Mr V's credit files from the time he took the loans out with PPC, so it is difficult for me to conclude from the 2014 credit files that Mr V should not have been granted credit in 2011. But I do note that whilst Mr V had defaulted on some loans, most of these were shown as settled or satisfied.

On balance, and having reviewed the evidence, I am not therefore persuaded that PPC acted irresponsibly in providing Mr V with the three loans. And, I can see that it did carry out affordability checks in line with its internal policies. It also relied on the income and outgoings information Mr V provided to it before each loan was made, which showed enough disposable income for him to be able to make the weekly repayments. It also assessed his repayments history with it when granting the second and third loans. And in providing Mr V with the third loan, I consider that it assisted him by paying off his existing loans, and reducing the weekly payment amount. So, I am not satisfied, on balance, that PPC acted inappropriately, and I do not consider that it would be fair and reasonable to ask PPC to refund the fees and charges applied to Mr V's loans and to pay him compensation.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr V to accept or reject my decision before 6 March 2015.

Roslyn Rawson
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