complaint

Mr J complains that five loans made to him by Provident Personal Credit Limited were unaffordable for him and that it shouldn't have lent to him.

background

Provident made a £100 loan to Mr J in October 2012. That was repaid in April 2013 and Provident made a second loan, for £300, to him. It made a third loan to him, for £350, in August 2013. Both the second and third loans were repaid in October 2013. Provident made a £500 loan to Mr J in August 2014 and another loan, for £350, to him in October 2014. Both the fourth and fifth loans remain outstanding and have been transferred to a third party. He complained to Provident earlier this year that the loans were unaffordable for him and that it didn't assess his income and expenditure. He wasn't satisfied with its response so complained to this service.

The adjudicator didn't recommend that this complaint should be upheld. He was satisfied that Provident carried out sufficient checks for the loans. It asked for information about Mr J's income and expenditure and the adjudicator couldn't say that what Mr J provided would've caused it concern about his ability to make the weekly repayments. He also said that Mr J's repayment history with it may have led it to believe that he wouldn't have been a high risk. He agreed that the interest rates were high – but they were the rates that Mr J agreed to so he wasn't able to say that they were unfair or unreasonable.

Mr J has asked for his complaint to be considered by an ombudsman. He says, in summary, that: Provident didn't assess his income and expenditure; he had to take out overlapping loans because he was in heavy arrears and the loans were used to pay off other loans (which was suggested by Provident's representative); and that his loans have been defaulted.

my findings

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

A lender should make proportionate checks about the affordability of a loan before lending to a customer. What is proportionate will depend on the circumstances of the loan. But details of Mr J's weekly income and his weekly outgoings (including rent/mortgage, loan repayments and other regular outgoings) were included on each of the loan agreements – and by signing the agreements he confirmed that he was in full time employment and declared that the information about his income and expenditure was true. So I find that the information that Provident gathered before each loan was made was proportionate for that loan. And I'm not persuaded that there was any need for it to gather more information about Mr J's financial circumstances.

Provident made a £100 loan to Mr J in October 2012 – the term of the loan was 32 weeks and the weekly repayment was £5. His weekly income at that time was £250 and his weekly outgoings were £125. So I find that it was reasonable for it to consider that the loan was affordable for Mr J. He repaid that loan in April 2013.

That month Provident made another loan to Mr J – this time for £300 with a term of 52 weeks and a weekly payment of £10.50. Mr J had repaid the first loan so this was his only payment to Provident. Mr J's weekly income was then £300 and his weekly outgoings were £155. So again I find that it was reasonable for it to consider that the loan was affordable for Mr J.

Provident made a third loan to Mr J in August 2013 – for another £300 with a term of 52 weeks and a weekly repayment of an additional £10.50 – so combined with his repayment under the previous loan he was required to pay £21 weekly. His weekly income was £300, his weekly outgoings were £211 and he had a good payment record with Provident. So I find that it was reasonable for it to consider that a further £300 loan (with weekly repayments of an additional £10.50) was affordable for Mr J. He repaid both the second and third loans early - in October 2013.

There was then a ten month break when Mr J didn't have a loan with Provident. It made a £500 loan to him in August 2014 with a term of 52 weeks and monthly repayments of £17.50. His weekly income had increased to £450 and his weekly outgoings were £320. I find that it was reasonable for it to consider that the loan was affordable for Mr J.

Only two months later Provident made a further loan of £350 to Mr J. The term of the loan was 63 weeks and the weekly repayment was £10.50 (in addition to the £17.50 that he was paying for the fourth loan). Mr J's weekly income was then £400 and his weekly outgoings were £268. I find that it was reasonable for it to consider that a further £350 loan (with weekly repayments for both loans of £28) was affordable for Mr J. Although Mr J had missed some of the payments due under the fourth loan he had largely made up any arrears and his repayments were broadly on schedule. So I consider that it was reasonable for Provident to conclude that the fifth loan was affordable for Mr J at the time that the loan was made. But it seems that Mr J was then experiencing financial difficulties – and he only made one payment of £20 to each of his current loans between November 2014 and April 2015.

But on the basis of the proportionate information that it had gathered, Provident wouldn't have been aware of those financial difficulties at the time that the loans were made to Mr J. It's clear from the loan agreements that Provident calculated Mr J's disposable income and I consider it to be more likely than not that it used that information to assess the affordability of the loans for Mr J. Mr J may have used the loans to repay other loans. But the information that he provided to Provident when he signed the fixed sum loan agreements showed that he didn't have loans from any other providers.

The two outstanding loans were assigned to a third party in April 2015 and it appointed a debt collection agency. Both loans have now been defaulted and the third party has recorded the defaults on Mr J's credit file. The third party has provided a copy of the notice of assignment that was sent to Mr J – and I'm not persuaded that there's enough information to show that Provident acted incorrectly in assigning Mr J's debts to the third party. If Mr J wishes to complain about the defaults or the actions of the third party, he should make a complaint to the third party. If he's not satisfied with its response he may then be able to complain to this service

But, for the reasons set out above, I find that it wouldn't be fair or reasonable for me to require Provident to refund any interest or charges to Mr J – or to take any other action in response to his complaint.

my final decision

So my decision is that I don’t uphold Mr J’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr J to accept or reject my decision before 22 December 2017.

Jarrod Hastings
ombudsman