

complaint

Mr B complains that Provident Personal Credit Limited is guilty of irresponsible lending by giving him a series of loans that he was unable to afford.

background

Mr B took out nine Provident loans, ranging from £300 to £500, between November 2008 and July 2010. Whilst the second loan was used to settle the first, subsequent loans increased the debt from an initial £465 to over £2,500. Mr B's weekly repayments increased from £15 to £55 in the same period.

Mr B complains that Provident continued to approve these loans despite him being unable to work through ill health. He says this led to a cycle of debt: he was unable to maintain repayments unless he took out further loans, increasing his overall debt. He believes Provident should have realised that he was getting into financial difficulties and did not carry out adequate affordability checks before giving him the loans.

Our adjudicator did not uphold the complaint. She found that, although Provident was unable to provide evidence of the checks it carried out, Mr B had made every weekly loan repayment between November 2008 and August 2010. While Mr B said his only income was from state benefits, he said he had taken the first loan out for his work vehicle. Our adjudicator was not satisfied that Mr B had provided a full picture of his financial situation and, in the circumstances, was unable to conclude that the loans were unaffordable to Mr B.

Mr B – represented in this complaint by a third party – did not accept those conclusions so the matter was referred to me.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I do not uphold the complaint.

Mr B took out nine Provident loans between November 2008 and July 2010, totalling £3,400. With interest, Mr B would have to repay over £6,000. However, almost a third of the money Mr B received was used to pay off previous loans and his debt increased significantly, as set out in the table below:

loan	start date	amount borrowed	term (weeks)	weekly repayment	amount to repay	amount used to repay previous loans	amount received 'in hand'	account balance
1	29/11/08	£300	31	£15	£465	-	£300	£465
2	21/3/09	£500	57	£15	£855	£240	£260	£855
3	2/5/09	£300	57	£9	£513	-	£300	£1,278
4	25/7/09	£300	57	£9	£513	-	£300	£1,502
5	10/10/09	£500	106	£10	£1,060	£758	£0	£2,534
6	10/10/09	£500	106	£10	£1,060	-	£242	£2,534
7	19/12/09	£300	50	£10.50	£525	-	£300	£2,768
8	27/3/10	£300	50	£10.50	£525	-	£300	£2,773.50
9	31/7/10	£400	50	£14	£700	£100.68	£299.42	£2,622.82

		£3,400			£6,216	£1,098.68	£2,302.42	
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The increase in the level of debt, as well as to Mr B's weekly repayments (which rose from £15 to £55 per week) is concerning. However, this does not necessarily mean that the loans were unaffordable.

Although Provident has been unable to provide evidence of the checks it carried out to assess whether Mr B could afford to repay the loans, it says that "*over time [Mr B] has shown that he could manage his account and repayments and in turn the amount of credit would slowly increase*". It also says Mr B did not mention his financial difficulties, nor ask to make lower weekly repayments, until August 2010 – three weeks after being granted his final loan.

I have some sympathy with this argument. The account history shows that Mr B met every weekly repayment from November 2008 to August 2010. Were Mr B's financial difficulties as serious as he says, I might expect to see one or more missed repayments during this period.

Like our adjudicator, I am not satisfied that I have a full picture of Mr B's financial situation.

Mr B says the first loan was to "*replace the vehicle I needed for work*". However, the only information we have about his income in November 2008 was that he was receiving £106 in benefits every fortnight; his bank statements do not show any additional income from work in November 2008 or at any later point.

Also, it is not clear when Mr B stopped working. Mr B says his GP signed him off work but he has not provided evidence of this. We have two medical reports, neither of which confirms that Mr B is unable to work:

- January 2008 – this identifies "*calcified plural plaques from exposure to asbestos*" but this does not comment on Mr B's ability to work.
- October 2010 – this says "*asthma sometimes restricts exercise and work*", which seems to indicate that Mr B was still able to work at this time.

Mr B says "*the only way I could manage to pay the instalments and have sufficient to meet my basic expenditure, was to take on additional loans*". However, from the evidence provided, I am unable to conclude that this was the case before Mr B notified Provident of a change in his circumstances in August 2010. Until that point, it appears that Mr B was able to manage his account and, given his repayment history, I understand why Provident might have considered the loans affordable. On balance, I am not persuaded that Provident acted irresponsibly in approving them.

Mr B is under no obligation to accept my decision; if he does not, he remains free to pursue the matter in other ways, such as through the courts.

my final decision

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

Simon Begley
ombudsman