

complaint

Mr H complains that Provident Personal Credit Limited wrongly lent him money he couldn't afford to pay back.

background

Mr H took out four loans with Provident. He said that the business didn't carry out proper affordability checks or properly check his credit report for other lending. Mr H struggled to pay back the loans and took out more borrowing. He says that eventually he couldn't pay the loans back and he has suffered financial difficulties. He says Provident weren't helpful and sent his loans to a debt collector.

Our adjudicator recommended that the complaint should be upheld in part. He thought that looking at the amounts initially borrowed by Mr H and his declared income and expenditure the first loans were affordable and the checks were reasonable. But he thought that when Mr H took out the last two loans for £600 and £800 Provident should've suspected Mr H was struggling and carried out more robust checking. Had it done so it would've seen that Mr H had other borrowing. Provident didn't agree and provided evidence of its affordability checking procedure and said that on the information provided the loans were affordable and responsibly given.

my findings

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

Mr H took out the first loan with Provident in 2008. This was repaid without any difficulty and I agree with the adjudicator that there is nothing to suggest that Mr H was in difficulty at this time.

Mr H took out his second loan for £300 in March 2014. Given Mr H's previous repayment history, the repayments and the information provided by Mr H I think it was reasonable to lend this money. I would not expect any further checking to have been done.

Before this loan was repaid in full Mr H asked for a further loan in December 2014 for £600. Some of that was to be used to repay the earlier loan. Borrowing again before the first loan was repaid might suggest that Mr H was having difficulty meeting his financial commitments. This was a significant increase in Mr H's borrowing and I would've expected Provident to carry out some checking about whether Mr H could afford his repayments.

I've looked very carefully at the evidence provided by Mr H including his credit report. It shows that he had other lending accounts that he hadn't declared on his income and expenditure form. I can't say that any credit checks carried out by Provident were properly taken into account. Mr H had a number of lending accounts and this should have prompted Provident to do further checking given that this information was at odds with what Mr H had declared in his expenditure form. Mr H went on to take out further borrowing with Provident on the 23 January 2015 only weeks after taking out the loan for £600. Mr H was unable to pay back this loan. I think it is clear that these last two loans were unaffordable and Mr H was in difficulty.

Provident has provided me with the information about what affordability checks were carried out. Mr H was asked about his outgoings but Provident didn't verify whether these were accurate or realistic. Given the increasing borrowing I would've expected Provident to carry out some checking of what Mr H had declared to make sure he could afford to pay back what he was borrowing. I would've expected Provident to ask why Mr H needed to borrow so often given his declared income and outgoings. I can't be satisfied that enough checks were done before Provident decided to lend Mr H the money.

Mr H has had the benefit of the money so I think it is only fair that he pays it back but I think that all interest or charges incurred on the last two loans should be refunded and all information recorded on Mr H's credit file about these loans should be removed. Mr H should never have been given these loans and I consider that it is fair that his credit report reflects this position.

I think it's fair that the refund can be used to repay the capital balance outstanding but any money left over should be paid directly to Mr H.

my final decision

My final decision is that I uphold this complaint. In full and final settlement of it Provident Personal Credit Limited should do the following:

1. Refund any interest and/or charges applied to the last two loans taken out by Mr H together with 8% simple interest per year from the date it was paid until Mr H gets it back.
2. Remove any information recorded on Mr H's credit file about these loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 October 2016.

Emma Boothroyd
ombudsman