complaint

Miss L complains that Provident Personal Credit Limited was irresponsible when it provided her with two home-collected instalment loans in 2009 and 2010. She says that it didn't carry out proper affordability checks when lending to her. She adds that the loans led her to struggle financially which meant that she had to borrow from elsewhere.

background

As I've mentioned, Miss L took two loans with Provident. These were home-collected loans which meant that an agent called at Miss L's home for her repayments.

This table contains some of the information Provident has provided about Miss L's loans.

loan number	date taken	principal amount	date repaid	original term	weekly instalment amount
Loan 1	20/12/09	£300.00	29/06/10	31 weeks	£15.00
Loan 2	11/11/10	£400.00	15/11/11	50 weeks	£14.00

One of our adjudicators looked into Miss L's complaint and recommended that it shouldn't be upheld. Miss L doesn't agree with that assessment and has asked for her complaint to be reviewed by an ombudsman.

my findings

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

We've set out our general approach to complaints about high cost lending, similar to that provided to Miss L by Provident - including all of the relevant rules, guidance and good industry practice - on our website.

At the time Provident provided these two loans to Miss L it was licensed by the Office of Fair Trading (OFT). Broadly speaking it had to act responsibly and it had to carry out checks to ensure that the credit would be affordable in a sustainable way for Miss L.

So, I've thought about whether Provident did complete reasonable and proportionate checks to satisfy itself that Miss L would be able to repay her loans in a sustainable way? If so, did Provident make a fair lending decision? If not, would those checks have shown that Miss L would've been able to do so?
The checks Provident was required to do, had to be proportionate to the specific circumstances of each loan. And what is proportionate will depend on a number of factors including things like the consumer's financial history and current situation as well as things such as the amount, type, cost of the credit being sought. What is sufficient for one consumer might not be for another, or indeed what might be sufficient for a consumer in one circumstance might not be so for the same consumer in other circumstances.

Bearing the above in mind, I would expect the required level of checks to vary with circumstance. In general, I'd expect a lender to require more assurance, the greater the potential risk to the consumer of not being able to repay the credit in a sustainable way.

Certain factors might point to the fact that Provident should fairly and reasonably have done more to establish that any lending was sustainable for the Miss L. These factors include, *but are not limited to*:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

Miss L took these two loans around ten years ago. It isn't surprising that the information and evidence which is available is limited after such a long time. Provident has provided some information it obtained at the time. For example, it seems that it was aware that Miss L was working full time and has provided the name and address of her employer. But it hasn't shown us any details of any income or expenses declared by Miss L to its agent. And she hasn't provided anything to help me assess what Provident would've seen at the time, either.

Both loans were taken over a number of months. Loan 1 was around seven months (31 weeks) and Loan 2 was due to last for nearly a year (50 weeks). And as I've mentioned, I haven't been provided with any evidence about Miss L's income at the time by either her or Provident. In the absence of this it's difficult to say with any certainty what a proportionate check should've looked like.

What I do know is that Loan 1 was Miss L's first loan with this lender. She was due to repay it at £15 per week – roughly £65 per month and she'd told Provident she was working full time. I think that in the circumstances of which I'm aware Provident should've probably sought to satisfy itself about how much disposable income Miss L would have left each week after she'd payed all her normal outgoings and regular credit commitments. After all, this loan was committing her to repaying it for around seven months. But I haven't seen enough to say that Provident should've done more than that for example by making credit file searches or asking for verification of income or expenditure.

It seems that Miss L repaid Loan 1 a few weeks earlier than planned in the credit agreement. And she didn't then apply for Loan 2 for over four months.

I've thought about whether there were any other factors at the point when Miss L took Loan 2 which meant that Provident ought to have done more checks than were necessary for Loan 1.

I've looked at Miss L's repayment history and - from January 2010 - she appears to have repaid Loan 1 about a month in advance every month – which explains why she repaid it four weeks early. From her statement of account, I haven't seen anything that suggests that Miss L was struggling to meet the repayments for Loan 1. I accept that behind the scenes she may have been struggling and perhaps even been borrowing from elsewhere to meet her obligations on Loan 1. But again, from what I've seen I don't think it would've been proportionate to expect Provident to do a full financial review for Miss L when assessing her application for Loan 2. However, in the absence of any information about her income and expenditure I can't fairly conclude that it did a proportionate check for Loan 2 either.

With all this in mind and based on the information which is available, I'm not persuaded that Provident did proportionate checks for Loans 1 and 2. But that doesn't mean that I should uphold Miss L's complaint. For me to uphold Miss L's complaint I'd have to be satisfied that if Provident had done proportionate checks they would've shown it that the loans weren't affordable for her. But, for the reasons I've explained above, in this case, I've not seen anything which suggests to me that had Provident had done proper checks it would've concluded that the loans were unaffordable for Miss L in a sustainable way.

There are some situations where the lending history and pattern of borrowing in itself is sufficient to conclude that the lending was unsustainable. But Miss L took only two loans, she repaid Loan 1 early and didn't apply for Loan 2 for over four months. In these circumstances I don't think that there was a pattern which ought reasonably have led Provident to conclude that further lending was unsustainable or otherwise harmful.

I'm sorry that this isn't the outcome Miss L was hoping for. I realise she'll be disappointed but taking everything together I haven't seen enough evidence for me to conclude that I should uphold her complaint.

my final decision

For the reasons outlined above I don't uphold Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 10 April 2020.

EJ Forbes
ombudsman