

## **complaint**

Mr M complains that Provident Personal Credit Limited (Provident) lent to him irresponsibly.

## **background**

Mr M took out two loans with Provident. He said the checks it conducted in relation to the second loan were insufficient. He said it was not affordable.

He complained to Provident. It said it had conducted adequate checks and had lent responsibly. It did not uphold his complaint.

Mr M asked us to look at his complaint. Our adjudicator didn't think that Provident had carried out sufficient checks in relation to the second loan or that it was affordable. So he asked it to remove the interest and charges attached to that loan.

Provident did not agree that its checks were insufficient. It asked for an ombudsman's decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I do not consider it necessary, nor am I required to, refer to every point that the parties have made here. I have focused on what I consider to be the key parts of the complaint.

Provident told us that it didn't conduct a credit search when it lent to Mr M. It said there was no requirement on it to do so at the time. Instead, it asked Mr M to provide information about his weekly income, net weekly outgoings, all loan repayments and other regular outgoings. This it said revealed a disposable income that showed he could afford the weekly repayments. It said it was entitled to rely on what Mr M had told it.

Lenders are required to conduct proportionate checks to see if the lending is affordable. What is expected of a lender depends on several factors, including: the type of credit; the size of the loan; the repayments; what the lender knows about the financial circumstances of the customer; and the information that the customer has provided.

Here the loans were home credit. The first loan provided in April 2012 was for £500 to be repaid over 52 weeks. The purpose of the loan was debt repayment. The second loan was taken out in October 2012 for £2,000 to be repaid over 84 weeks. Again the purpose of the loan was debt repayment. In January 2013 he fell into arrears.

Having considered the circumstances here, I think that Provident should have been prompted to carry out further checks before it lent to Mr M the second time. I have noted in particular: the size of the second loan; the fact that it was taken out before the first loan was due to be repaid and consolidated the first loan; that it was for the purpose of debt repayment even though Mr M had declared that he had no outstanding loan repayments; and that Mr M was seeking to consolidate a further amount of debt within six months of the first debt repayment loan.

I acknowledge what Provident has said about being able to rely on what Mr M had told it. But for the same reasons as I have set out in the paragraph above, I think Provident ought

reasonably to have suspected that what Mr M had told it about his disposable income was untrue and that there were potential financial difficulties here which should have prompted it to make further enquiries.

Having looked at Mr M's full credit file, I can see he had an unsecured loan as well as three open payday loans at the time he took out the second loan with Provident. He had also recently defaulted on a payday loan account.

Having looked at Mr M's bank statements, I can see evidence of other loans in addition to those appearing on his current credit file. A significant proportion of his monthly salary went towards other credit commitments. It appears that he was using credit to repay credit. I can also see a pattern of spending on his accounts which I think raises questions.

Having carefully reconsidered all of the information here, I don't think it was reasonable for Provident to lend to Mr M on the second occasion without conducting further checks. Had it done so, it would have seen that he was in financial difficulties, in an unmanageable cycle of payday borrowing and that he could not meet the repayments in a sustainable and affordable manner. I therefore think it should remove all of the interest and charges incurred on the second loan. It should also remove any reference to the loan from his credit file.

As Mr M has had the benefit of the capital sum I think it only fair that he repays that amount. I understand from the statement of account that the payments Mr M has made towards the agreement haven't quite cleared the capital sum. It appears there is arrangement to pay in place, but in the event that there is not, I would remind Provident of its responsibilities to treat customers who are in financial difficulties in a positive and sympathetic manner.

### **my final decision**

My final decision is that I uphold this complaint. To settle it Provident Personal Credit Limited should:

1. remove all interest and charges applied to the second loan; and
2. remove any reference to the loan from his credit file.

If Provident considers that it's required by HMRC to take off income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 September 2016.

Siobhan Kelly  
**ombudsman**