

complaint

Miss B has complained Provident Personal Credit Limited lent to her irresponsibly.

background

Miss B took out seven loans with Provident. But she feels they weren't affordable, and it lent to her irresponsibly. The outstanding debt's now been passed to a third party. She's making payments through an arrangement with a debt charity.

Our adjudicator looked into what had happened. She agreed that Provident should have realised the last three loans weren't affordable, but didn't think it had been irresponsible in giving the first four.

Following our adjudicator's view, Provident offered to pay £3,694.45. This would first be applied to the outstanding debt. This would leave a surplus of £1,939.82, to be paid to Miss B directly. It also said it would remove entries on her credit file for these three loans.

Miss B disagreed with our adjudicator, and didn't accept Provident's offer. In summary, she made the following points:

- she was granted loans when she still had others outstanding, that she'd missed payments for;
- she took out further loans in order to repay previous ones;
- she didn't have sufficient funds to make the repayments, and was working with a debt advice organisation;
- her credit file showed borrowing from other lenders and a continuing cycle of debt; and
- Provident asked her about her utility bills, but nothing else.

She asked an ombudsman to make a decision on her complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've come to the same conclusion as our adjudicator. And for roughly the same reasons.

There are two aspects to complaints like this that we generally consider. Did the business carry out enough checks and were Miss B's loans affordable?

But before getting to that aspect it's worth noting Provident has already made a goodwill offer to Miss B. This matches what our adjudicator felt was fair. So I'm also considering whether this offer is fair and reasonable.

I know Miss B has asked us to consider a range of points. I've certainly considered these and reviewed the wealth of evidence she provided to us. This included statements for the relevant years, along with her credit reports, showing the payday loans she'd taken out and her income and expenditure status in early 2011.

proportionate checks

It's worth clarifying each business, when considering loan applications, defines its criteria for the type of customers it's prepared to lend money to, subject to rules and guidelines set by any consumer credit regulator. Miss B has asked us to consider loans she took out as far back as 2008 when the lending criteria were subject to a different regulatory regime.

It's certainly true Miss B had a patchy credit record and evidence of financial difficulty whilst Provident were still prepared to lend to her. I don't find this surprising. Some businesses are prepared to lend money to customers who don't have a clear credit record, or who may have had some financial difficulty in their past. That depends on their appetite for risk. In any case I wouldn't expect Provident to have reviewed Miss B's credit record unless there were other signs which suggested they needed to carry out additional checks.

So as Miss B's customer relationship with Provident developed, I'd have expected them to carry out additional checks as her loans mounted up in value. In August 2011, Miss B borrowed £1,500: more than twice what she'd borrowed less than three months before. These amounts are more than Provident's average lending. This was also her third loan within seven months. By this stage I believe additional checks should have been carried out.

Provident did check Miss B's income and expenditure. I note Miss B disputes this was thorough as she felt she only provided information about her utility commitments rather than other lending. But in any case Provident did carry out their own detailed credit check. Although this wouldn't tell them exactly what other financial commitments Miss B had.

were the loans affordable?

I reviewed Miss B's banks' statements and her statement of income and expenditure which she'd put together with a debt charity. These are detailed and showed she had a surplus every month. Her loan taken out with Provident in January 2011, for example, required a weekly payment of £30. I think overall this and the later loan in May 2011 were affordable.

I'm also satisfied the earlier loans, based on evidence from Miss B's bank statements, were affordable. But it's worth adding that the majority of these loans were taken out more than six years ago. I suspect Provident would have suggested we were unable to look at these loans if we'd come to another conclusion. They'd have been within their rights to raise this for us to consider.

I suspect Provident no longer disputes Miss B's three later loans were affordable. They're aware within a year of taking out these three loans Miss B was getting formal help to manage her debt. And these debts more than six years on remain outstanding. So I believe any conclusion here is clear. These three later loans weren't affordable at the time they were given to Miss B.

The redress our adjudicator suggested was accepted in full by Provident as a gesture of goodwill. Provident has agreed to remove all references to these three loans from Miss B's credit record. This is more than I'd normally suggest so I think that was a reasonable offer and what I'm going to recommend as the fair resolution to Miss B's complaint.

my final decision

For the reasons I've given, my final decision is to instruct Provident Personal Credit Limited to do the following to put things right:

- Waive all interest and charges added to the three loans Miss B took from August 2011 onwards;
- Add 8% simple interest per year to these amounts from the dates Miss B paid them until the date of settlement'
- Arrange with her debt owner to repay what remains outstanding and then repay what's left direct to Miss B; and
- Remove references to these loans from Miss B's credit record.

If Provident Personal Credit Limited considers that it's required by HM Revenue & Customs (HMRC) to withhold income tax from those parts of the award constituting the 8% interest, it should tell Miss B how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HMRC if appropriate.

Miss B should refer back to Provident Personal Credit Limited if she's unsure of the approach it has taken, and both parties should contact HMRC if they want to know more about the tax treatment of this portion of the award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 13 March 2018.

Sandra Quinn
ombudsman