

complaint

Mr H complains that a loan he was given by Provident Personal Credit Limited ("Provident") was unaffordable and irresponsibly lent.

background

On occasion Mr H has been represented by his partner in this complaint but for ease I will refer to Mr H throughout my decision, even though some of the comments may have been his representative's.

Mr H says that in February 2014 he was visited by a Provident agent who offered an advance on his original loan of an additional £550. The new loan would pay off the original loan. He says that this loan was made irresponsibly as he was already missing payments; the loan was based purely on the fact he had equity in his house and he wasn't made aware that interest would mean he'd be paying back almost twice as much. He said that Provident didn't perform a credit check but if they had they would have realised he had thousands of pounds of debt with other lenders. He says he was depressed at the time and although this wasn't clinically diagnosed, it'd led him into financial difficulties.

Provident didn't think they'd lent irresponsibly. They noted that Mr H hadn't told them about his depression and that there wasn't any medical evidence of it, so they didn't think they could reasonably have been required to take note of it. They explained that the agent would have made an assessment by confirming employment details and considering income and expenditure and they said that in this instance they could see this had been done correctly. They noted that on the basis of this information Mr H had sufficient disposable income to afford the repayments and they explained that the assessment wouldn't have been based on the equity in Mr H's property. They said that the details of the loan were explained to Mr H and he had a chance to withdraw if he wasn't satisfied with the interest rates or repayments. And with all this in mind they didn't uphold Mr H's complaint.

So he referred it to this service and our investigator took a look. She didn't think Provident had done anything wrong. She said that it was clear Mr H's payments on the original loan had been kept up to date and she went on to consider the income and expenditure information he'd provided when the loan was set up. She noted that, whilst Mr H had other loans at the time, he appeared to have only disclosed the payments he was making to the one he had with Provident. She thought the amount of disposable income Mr H said he had was likely to lead to a successful application. His salary was £650 per week and he'd explained he had regular outgoings of £270 per week.

Given the relatively low level of borrowing she didn't think Provident needed to check Mr H's credit file in order to improve the loan. She explained that their checks could be proportionate. And she also didn't think she could reasonably have been expected to consider Mr H was vulnerable due to his depression as he hadn't told them about this. So overall, she didn't think there was evidence that the loan had been missold.

But Mr H disagreed. He sent us a link about irresponsible lending and he reasserted that the additional loan had exasperated his situation; the interest was too high and he shouldn't have been offered an additional loan as he couldn't afford the payments on the first one.

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 know it will disappoint Mr H but I agree with the investigator's view. Please let me explain why.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Before agreeing to provide a loan a business should check that the loan is affordable. The type of checks which a business should carry out should be proportionate, so, for instance, a mortgage lender will ask for bank statements and payslips, but a catalogue offering a low credit limit doesn't have to go into so much detail.

In considering this complaint, I've looked at whether Provident carried out proportionate checks, and at what information they had been given about Mr H's financial circumstances. The methods Provident used to establish affordability were for them to decide but the practices and procedures they used had to be effective. And the depth of their analysis could be proportionate to the amount of money being requested.

Mr H's top up loan was for £550 so it was a comparatively small loan and I would not expect Provident to apply extremely stringent analysis when authorising it – as the investigator has explained, their analysis could be proportionate.

Provident have provided the information that they used when they established the loan and I can see that they relied on the information Mr H had provided about his income and expenditure. Mr H had a responsibility to provide accurate information but I don't think it was essential for Provident to check this information. Provident knew that Mr H's payment history was good with them and that his reporting of income and expenditure was consistent and suggested he had sufficient disposable income. So I think there was nothing to imply Mr H was not creditworthy for the relatively low level of lending he was applying for.

I don't think they had to check his credit file or ask for wage slips and bills to confirm his income and expenditure statement. The level of borrowing was low and their analysis could be in proportion.

I was sorry to hear about Mr H's depression. I can understand that it must have been a difficult time for him. But he hadn't told Provident he was struggling financially or that he was vulnerable because of his depression, so I think it would be unreasonable to suggest Provident should have been aware of this or modify its approach as a result.

So having reviewed the information available I don't think I can reasonably suggest Provident has done anything wrong or that they need to take any further action.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 December 2018.

Phil McMahon
ombudsman