

complaint

Mr H has complained that Provident Personal Credit Limited lent to him irresponsibly.

background

facts

In September 2015 Mr H borrowed £200 from Provident. But he feels the loan was unaffordable, and that Provident should've realised this and not lent to him.

Our adjudicator didn't think the complaint should be upheld. He felt Provident had carried out pre-lending checks to ensure Mr H could afford the loan.

As Mr H disagreed, his complaint's been passed to me for my final decision.

my provisional decision

As I also disagreed with our adjudicator, I issued a provisional decision. I gave both parties the opportunity to provide any further submissions in response to it. I said the following.

Provident had provided general information about its lending criteria. So I was prepared to assume it followed its standard process. This included checking existing credit commitments and income using a credit reference agency. It said there was nothing in Mr H's loan application, or the checks, that raised any cause for concern.

But I could see his credit file showed a large number of existing loans at the time he applied.

It was unclear to me how Provident would have known Mr H's income from looking at his credit file. Instead, I looked at his bank statements. They showed that from May 2015 to September 2015, his average income was £816 per month. By June 2015 he'd already borrowed more than he earned. This dropped off slightly in July 2015, but rose again in August 2015. It was clear he was using a variety of payday/instalment loan providers – and I could see the vast majority of his income was put toward repaying these lenders.

For these reasons, I thought Provident should have realised the loan was in all likelihood unaffordable, and that Mr H was in an unsustainable cycle of dependency on high cost, short-term borrowing. On this basis, I didn't think it should have lent to him.

As Mr H had had the benefit of the loan, I thought it fair he repaid the principal amount borrowed. But I thought all interest and charges should be refunded, adding 8% simple interest a year in respect of the amounts of these he'd paid back.

It also followed that any negative information regarding this loan should be removed from his credit file.

responses to my provisional decision

Mr H agreed with my provisional decision. Provident did too. But it also felt there had been delays at its end. So it offered to pay Mr H £100 compensation for this, in addition to what I proposed. This would have the effect of clearing his outstanding balance in full.

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 thank Mr H and Provident for their responses. Given that both parties agreed with my provisional decision, and Provident made a settlement offer going beyond it, I see no reason to interfere with this offer. I agree it's fair.

my final decision

For the reasons given above, it's my final decision to require Provident Personal Credit Limited to write off the outstanding balance of this loan in full, and remove any negative entries regarding it from Mr H's credit file(s).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 December 2016.

Elspeth Wood
ombudsman