

complaint

Ms E on behalf of Mr H complains that Provident Personal Credit Limited ("Provident") didn't act responsibly when lending him money.

background

Mr H took out loans from Provident between 2009 and 2014. In December 2014, he borrowed £1,000, and given he still had outstanding loans, this meant his weekly repayments increased to £90.50.

The result was that Mr H wasn't able to maintain his contractual repayments, and in 2016 he complained to Provident saying the loans were unaffordable.

Provident didn't uphold the complaint, so it was referred to our service.

Our adjudicator upheld the complaint in respect of the final loan, but felt the others had been affordable.

Provident didn't agree with our adjudicator, so the case has been passed to me to make a final decision.

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

Before I set out my findings, I can see that our adjudicator has spoken to Ms E and she's confirmed on behalf of Mr H that they don't need me to look at the first two loans, which were granted to Mr H more than six years ago. Therefore, I'll focus only on those granted after September 2010.

I've seen that Mr H borrowed from Provident repeatedly and for many years. And with each loan that was granted, the amount he had to pay every week increased. I can see he took out new loans with Provident before the terms of his existing loans had ended, and often money was used from the new loan to offset his existing debt.

I think the fact Mr H was using new loans from Provident to pay off his existing ones is something that should have come to Provident's attention, and caused it to be concerned about whether or not the debt was being repaid in a sustainable manner.

However, having looked myself it does appear that Mr H was adequately managing his finances during this period. He had credit with several different companies between September 2010 and April 2014, and hadn't defaulted on any of these agreements during this period of time. And his payment history was for the most part very good. I can also see that he received regular credits for over £1,000 in the lead-up to the second-last loan in April 2014.

However, it's clear Mr H's situation had changed by December 2014. The amount he was receiving in wages dropped significantly after April 2014. I can also see that he defaulted on a Hire Purchase agreement where the monthly repayments were less than his monthly repayments with Provident.

Provident's provided evidence to show it carried out income and expenditure checks prior to granting Mr H a loan in December 2014. It's also made reference to his positive payment history, and it recently provided an excel spreadsheet which it says demonstrates it carried out a credit check.

I've reviewed everything that Provident's sent us carefully. However, I'm still not persuaded there are enough grounds for me to justify departing from our adjudicator's conclusions.

I'll explain why:

By December 2014, Mr H had been borrowing from Provident for many years. Every time he borrowed he got himself more in debt and his repayments rose. And as I've said, he would use money from the new loans to pay off his old ones. The industry guidance in place at the time makes it clear that lenders have to take care to ensure the credit they provide can be repaid in a sustainable manner. It also makes it clear that lenders can't rely on information on affordability/status their customer if it knows or reasonably ought to suspect it's not correct.

I can see there's been some dispute between Provident and our adjudicator as to whether or not a credit search was carried out prior to the loan of December 2014 being granted. However, I'm not persuaded this makes a difference to the outcome of the complaint in any event. The point is that I think Provident had enough information available to it in December 2014 to know that there might be a problem with Mr H's affordability, and accordingly it should have carried out further checks to ensure any ongoing lending would be sustainable. I think if it had done so, it would have seen that it wasn't sustainable.

Ms E's also sent our service medical documentation to show that Mr H was signed-off work in October and December 2014. This information, taken in conjunction with the information on Mr H's credit file and bank statements, means I'm satisfied on the balance of probabilities that the lending was unsustainable given his change of circumstances.

So, taking everything into account, I don't think Provident carried out sufficient checks in December 2014 following Mr H's further application for a loan, and I'm satisfied the lending was unsustainable. So it follows that Mr H's complaint should succeed.

my final decision

My final decision is that to resolve this complaint, Provident Personal Credit Limited must now:

- Waive any outstanding interest and charges for the loan granted in December 2014.
- Refund all interest and charges taken from Mr H in relation to the December 2014 loan. This refund should be applied to the outstanding balance. If after doing that there's an excess then this should be refunded directly to Mr H with 8% simple interest per annum from the date the money was taken until the date of settlement.
- Remove any adverse information recorded on Mr H's credit file in connection with the December 2014 loan.

Under the rules of the Financial Ombudsman Service, I'm required to Mr H to accept or reject my decision before 27 February 2017.

Ashley L B More
ombudsman