

complaint

Miss W complains that Provident Personal Credit Limited (“Provident”) lent irresponsibly to her.

background

Miss W took out a total of four loans with Provident between August 2005 and February 2009.

Loan	Date borrowed	Amount	Date repaid	No. of weekly instalments
1	27.08.05	£400	22.07.06	55
2	07.01.06	£100	22.07.06	55
3	01.08.08	£200	08.03.13	56
4	27.02.09	£100	08.03.13	57

Miss W considers that Provident was irresponsible to make the loans to her. She says she was in a desperate financial situation, and was young and naïve. She believes that affordability checks would have shown Provident that she wasn't in a position to take out the loans.

Our adjudicator didn't recommend that the complaint should be upheld. She explained, in summary, that we couldn't look at the first two loans, as they were taken out before the business came within our jurisdiction in April 2007. She didn't think Provident had carried out detailed enough checks before making the third and fourth loan. But based on the available information, she didn't think there was anything which should have indicated to Provident that Miss W wouldn't be able to make her repayments on those loans sustainably.

Miss W disagreed with the adjudicator's view, so the complaint's been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about irresponsible and unaffordable lending - including all the key relevant rules, guidance and good industry practice - on our website.

Provident needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss W could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Provident should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the lower a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss W's complaint.

As the adjudicator explained, I can only consider the loans which Miss W took after 6 April 2007.

When Miss W applied for loan 3, more than two years had passed since she'd finished repaying loan 2. Provident's records show that the weekly payments on loan 3 were £3 and on loan 4 were £6. But even though the weekly repayments were relatively modest, in the case of both loans Miss W needed to keep up with payments every week for more than a year. And the longer a lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

Taking everything into account, I think that at the very least Provident should have asked Miss W for details of her regular monthly income and expenditure before making loan 3. And I've seen nothing to suggest that it did so.

By the time Miss W applied for loan 4, she'd already been borrowing from Provident for nearly seven months without a break. And loan 4 was itself repayable over more than a year. What's more, Miss W applied for loan 4 while she was still repaying loan 3. So she'd have to make repayments on both loans each week.

Taking everything into account, I think that Provident ought to have been alerted to the possibility that Miss W wasn't borrowing sustainably. And I think it should have carried out a detailed review of her financial situation before agreeing to loan 4.

We asked Miss W for copies of her bank statements and credit report covering the time when she took out the loans, so we could see what better checks would have shown Provident. But she hasn't been able to provide those to us.

I acknowledge that Miss W has told us that she had hardly any income at the time, and was struggling to keep her head above water. But without sight of Miss W's bank statements or credit report from the time, I'm not able to say that better checks would have shown Provident that it shouldn't have given her the loans.

I appreciate that my decision will be disappointing for Miss W. But for the reasons I've set out, I can't fairly uphold this complaint.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 27 February 2020.

Juliet Collins
ombudsman