

**complaint**

Miss W says Provident Personal Credit Limited (“PPC”) irresponsibly lent to her.

**background**

This complaint is about two home credit loans and I’ve put a few details about them below:

<i>loan</i>	<i>date taken</i>	<i>amount borrowed</i>	<i>term</i>	<i>amount due</i>	<i>date repaid</i>
1	29 September 2014	£300	32 weeks	£15 per week	4 May 2015
2	15 June 2015	£600	32 weeks	£30 per week	in arrears

Our adjudicator didn’t think that PPC needed to put things right for Miss W in relation to either of these loans. He didn’t think Miss W had been treated unfairly. Miss W disagreed and asked for an ombudsman to review her complaint.

The complaint remained unresolved and was been passed to me for a decision. I issued a provisional decision on 25 July 2019 and invited both parties to respond by 8 August 2019. PPC and Miss W have said they have nothing further to add. So I am issuing my Final Decision.

**my findings**

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

As no additional evidence or arguments have been put forward then I see no reason to alter the conclusions I reached in my provisional decision on 25 July 2019.

So in the circumstances I uphold Miss W’s complaint in relation to the second home credit loan which is the subject of this complaint.

To put things right for Miss W I direct PPC to:

- refund all interest and charges Miss W paid on loan 2;
- pay interest of 8% simple\* a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement;
- remove any negative payment information about that loan from Miss W’s credit file.

\* HM Revenue & Customs requires PPC to take off tax from this interest. It must give Miss W a certificate showing how much tax it’s taken off if she asks for one.

**my final decision**

My final decision is that I uphold Miss W’s complaint in part and direct that Provident Personal Credit Limited do as I have said above.

Under the rules of the Financial Ombudsman Service, I'm required to Miss W to accept or reject my decision before 14 September 2019.

Rachael Williams  
**ombudsman**

***the main part of my provisional decision dated 25 July 2019***

**my provisional findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Our website sets out what we typically think about deciding whether a lender's checks were proportionate - including all of the relevant rules, guidance and good industry practice.

PPC needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable checks to understand whether Miss W could repay her 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.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, the consumer's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it hasn't continued to provide these loans to a customer irresponsibly.

PPC says it agreed to Miss W's application after she provided details of her monthly income and outgoings.

For the first loan, on balance, I think that PPC carried out the checks proportionate to that loan and I am not planning to uphold the complaint in relation to the first loan.

As for the second loan then by this time PPC had been lending to Miss W for about eight months. It carried out a credit check at the time of loan two which revealed there weren't any features to put it on alert. PPC says there wasn't anything to suggest Miss W wouldn't be able to make the repayment she was committing to. And in those circumstances PPC says that it wasn't irresponsible to lend.

However I take a different view in relation to this loan and I'll explain why.

In the final response letter PPC wrote to Miss W in January 2018 in relation to this complaint, it makes specific reference to the fact that it would have reviewed any previous credit agreements Miss W had held with it when considering her latest application.

I am aware both from Miss W and from PPC that she had taken another loan with the payday loan side of the PPC business which is often referred to as 'Satsuma'. Miss W had a loan with Satsuma from 28 September 2014 until 14 March 2015. So this was running alongside the first home credit loan she had with PPC. We have been sent details of that Satsuma loan as well and from the account notes I can see that she was struggling to repay, missed a couple of repayments and her partner who was in the country at the time telephoned PPC to make payments using his card.

This dovetails with the information I have seen in relation to the first home credit loan – she missed payments, and was struggling to repay it. I think it's very reasonable to take from this information that PPC would have been aware of these elements of Miss W's history when she approached PPC for the June 2015 new home credit loan.

In addition, when it came to the time that Miss W applied for her second home credit loan in June 2015, I have seen from PPC account notes that a Satsuma loan was declined for her on 22 April 2015. And I can see that this new home credit loan was for double the previous one and translated into double the payments at about £30 a week. As the combined repayment amounts each week for the first Satsuma loan and the first home credit loan came to about £34 a week, and as its clear from PPC's own account notes for both loans that she had struggled to repay them, then my view is that it's likely she would have struggled with this loan as well.

From Miss W's personal credit file I can see that her financial situation altered after she had taken the first home credit loan and these alterations included:

- a loan for £2,000 repayable at £172 a month in February 2015;
- a large payday loan with a different lender for £1,000 in April 2015;
- a new hire purchase loan for over £11,000 repayable at £310 a month in April 2015;
- a loan for about £1,440 repayable at £120 a month in April 2015.

All of these repayments were significant enough in my view that appropriate checks would have revealed that Miss W's monthly outgoings had increased a great deal since September 2014 and in my view ought to have been part of the background against which the June 2015 home credit lending decision was taken.

So I am of the view that it was not a responsible approach to provide a second home credit loan to Miss W in June 2015.

So in the circumstances I plan to uphold Miss W's complaint in relation to the second home credit loan which is the subject of this complaint.