

complaint

Mr C complains, in summary, that Provident Personal Credit Limited ("Provident") unfairly applied adverse information to his credit file.

background

Mr C took out a home credit loan with Provident in April 2013. Mr C then went into hospital in June 2013 for about a fortnight, at a time when his account was already in arrears, although he does not understand how the arrears had occurred. He also missed a number of payments from late July 2013 to early October 2013. Provident informed the credit reference agencies ("CRAs") about the missed payments which caused adverse entries on his credit file.

Mr C suffers from mental health problems, and has to frequently enter hospital without warning for a significant time. He said that he had told Provident's agent ("Mr A") about his health situation, and given him a number of cheques with the amount completed, but without the payee's name included, so that his account could be paid. He had also made arrangements for his mother to liaise with Mr A about his repayments whilst he was in hospital. Mr C also said that Mr A had agreed a payment waiver with him in October 2013 in which his weekly repayments would be reduced from £35 to £25, but that Mr A had not explained the consequences of this, such as adverse entries on his credit file. Mr C complained to Provident about the adverse entries on his credit file in January 2014.

Provident visited Mr C in July 2014 to investigate his complaint. It agreed that there was a shortfall of £45 on another of Mr C's loans with it, which it then rectified. It declined to update Mr C's credit file because it was obliged to record its borrowers' payment history at the CRAs, and it had provided Mr C with the opportunity to bring the April 2013 account up to date, which he had failed to do.

The adjudicator recommended that Provident apply a payment arrangement marker to Mr C's credit file to reflect the payment arrangement between Mr C and Provident. He was also satisfied that the issue had caused Mr C a significant amount of distress and inconvenience. He said that Provident should make a payment of £200 compensation to Mr C to reflect the fact that it took Provident five months to conclude its investigation of his complaint, and due to the error on Mr C's account.

Provident disagreed and responded to say, in summary, that:-

- it had correctly recorded the fact that Mr C was in a payment arrangement on the credit file;
- it disputed that compensation should be paid as the calculation error was corrected and was less than what Mr C believed. When it was able to compare Mr C's own records with its records, this was promptly corrected;
- the final response to the complaint was delayed as due to the nature of the allegations, a fraud investigation had to be conducted which was prolonged due to it being unable to contact Mr C; and
- it had sent statements to Mr C on 12 June 2013, 11 August 2013, 13 December/2013 and 5 February 2014 which would have advised him of the amount outstanding and the alternative payment methods available.

Mr C responded to say that the adverse entries applied to his credit file by Provident meant that he could not obtain a favourable mortgage. He also said that £200 compensation was insufficient to compensate for the value of lost earnings and opportunity cost due to the negative entries on his credit file. Mr C wants Provident to correct his credit file to reflect the correct payment history, and to pay him £500 compensation per month, backdated to the date of his complaint, for the distress caused to his health and financial integrity by its errors and omissions.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

I can see that Mr C took a home credit loan for £400 with Provident for the first time in November 2012, which he repaid in February 2013. He then took another home credit loan for £1,000 with Provident in April 2013, repayable at the weekly rate of £35 for one year. Mr C said that he had explained to Mr A that he had mental health difficulties and had to enter hospital frequently without notice for significant periods. He had given Mr A a series of cheques to make his repayments because of this. I note that Mr C entered hospital in early May 2013 for two weeks, and again in late June 2013 for about two weeks. I can also see from Provident's records that no payments were made from late May 2013 (after Mr C had returned from hospital) until mid-June 2013. No payments were then made in late July 2013, and then from mid-August 2013 until early September 2013, and from mid-September 2013 until early October 2013. At the end of October 2013, Mr C agreed a payment arrangement with Mr A and his weekly repayments were reduced to £25. But, payments were again missed in early November 2013 and in January 2014. So, I can see that most of the missed payments in 2013 were missed when Mr C was not in hospital. So, I would not have reasonably expected him to rely on Mr A making the payments for him. I would also have reasonably expected Mr C to check his bank statements to see whether payments had been made.

I can see that Mr C's credit file shows missed payments from August 2013. Provident said that it applied missed payments when payments had been missed for a total of 4.33 weeks.

The adjudicator asked Provident to obtain a statement from Mr A. This was not provided by it. So it is difficult for me to say with any certainty that the missed payments were because Mr C had not made the payments, or because Mr A had been given cheques which he had not paid into Mr C's account. But I can see that Provident carried out an investigation in response to Mr C's complaint and visited him in July 2014. It compared its records to those of Mr C, and found the only payment discrepancy to be £45 in relation to a different loan. I note it then rectified this promptly. So, overall and, on balance, I cannot safely conclude that the missed payments recorded on Mr C's credit file were incorrect.

I also note that the adjudicator believed that Provident had not recorded the payment arrangement on Mr C's credit file. But, I can see that this has been recorded on all the credit reference agency searches which Mr C has sent us.

I also note that Mr C does not believe that he was properly informed about the negative effects of entering into a payment waiver in October 2013. I cannot see that Mr C was provided with any written information about this. I note that the industry practice codes at the time said that lenders should tell their customers what information it will pass to CRAs about their accounts if it agrees to accept reduced payments from them. In view of Mr C's health difficulties, I consider that it would have been appropriate for Provident to set this information out for him clearly in writing so that he could make an informed decision about whether to make reduced payments. I can see that Mr C is unhappy that he did not know that adverse entries would arise from the payment arrangement. But I also note that the payment arrangement was made at a time when missed payments had already been recorded for three months on Mr C's credit file. And I also accept that Provident had continued to apply missed payment markers as Mr C had not cleared the arrears on his account.

I also note from the various industry codes that if a lender is aware that a borrower has mental health problems and that borrower is in financial difficulties, it should give the borrower reasonable time to submit relevant evidence to decide the most appropriate action. It should also tell the borrower about free debt-counselling organisations. I have not seen any evidence that Provident had done this.

I also note that Mr C originally complained to Provident about the matter in January 2014. He did not receive its final response letter until August 2014. I accept that Provident was unable to contact Mr C from May 2014, but I would have reasonably expected it to have provided a final response by March 2014. I can see that Provident has caused Mr C distress by its delay in providing a response to his complaint. I also note that Provident did not provide some responses to information requested by the adjudicator in December 2014, which delayed the progress of the complaint by this service. In particular, it would have been useful for me to have seen a statement from Mr A.

So, I can see that Provident has caused distress to Mr C due to its failure to respond to his complaint within a reasonable time and its failure to provide this service with all requested information which has caused further delay. I have also not seen any evidence that it gave Mr C sufficient information to Mr C about the consequences of entering into a payment arrangement and details of debt counselling organisations which could have assisted him.

So, overall, I consider that the compensation of £200 recommended by the adjudicator is appropriate for the distress and inconvenience caused to Mr C by this. But, I am not persuaded that Provident had recorded Mr C's missed payments incorrectly on his credit file. So, on balance, I cannot hold Provident responsible for the effects of those entries. I appreciate that Mr C will be unhappy with my decision. However, he is not bound by it. If he does not wish to accept my decision, his legal rights remain intact.

my final decision

My decision is that I uphold this complaint in part. In full and final settlement of this complaint, I order Provident Personal Credit Limited to pay Mr C £200 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 8 June 2015.

Roslyn Rawson
ombudsman