

complaint

Miss T complains that Provident Personal Credit Limited (“Provident”) were irresponsible to provide her with credit as she clearly couldn’t afford it at the time.

background

Miss T took out five loans with Provident as follows:

Date	Amount
November 2012	150
April 2013	300
July 2013	500
November 2013	400
December 2013	400

She says she wasn’t in the right frame of mind at the time and was suffering from mental illness which had been heightened by the death of her daughter. And she says it was clear she couldn’t afford the repayments on the loans and had previously defaulted on credit on several occasions. So she says the money shouldn’t have been lent to her.

Provident said it routinely checked credit reference data and income and expenditure on loans and had done in these cases. They said that for each loan they were persuaded that Miss T had sufficient disposable income to afford the repayments. And with regard to the defaults they explained that the last of these was some time ago and Miss T’s finances appeared to have stabilised first. They didn’t think there was reason for them to reject Miss T’s credit applications and didn’t accept they’d lent irresponsibly.

So Miss T referred her complaint to this service. She explained that the three defaults on her credit file were all from loans she’d had with Provident. Our investigator noted that Provident hadn’t been able to provide evidence that they’d credit checked Miss T’s first loan with them in 2012. She noted that when the second loan had been applied for, the credit file Provident had reviewed would have reminded them that Miss T had three previous defaults with them and there was £1,675 owing. She thought there was therefore evidence that they shouldn’t have provided the credit they did and she suggested they therefore refund the interest Miss T had paid on all five loans and remove any negative information recorded about these loans on Miss T’s credit file.

The business agreed. They said they would buy the debt that had accrued of £2,003.54 back from the debt collectors. They explained that this debt comprised of £1,530.36 of interest and £473.18 of capital. They explained that Miss T had repaid some interest on the loan already but that it was less than the loan capital. So for ease they suggested they wouldn’t pursue payment of the capital instead of refunding the interest already paid. They added that they agreed to remove any adverse credit file entries for each of the accounts.

But Miss T disagreed as she didn’t think the balance on her account had been calculated correctly. So she asked for a final decision by an ombudsman.

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 have reviewed the whole file when coming to my decision. For completeness, although I understand it's no longer contended, I agree that these loans were irresponsibly made because it's clear Provident should have been aware Miss T had significant defaulted debt with them.

In those circumstances I would agree with the adjudicator that interest on the loans should be returned and the credit files cleaned of any adverse information in relation to these loans.

Miss T has disputed whether the balance of her account is correct so I've checked the figures provided. I've looked at the amount of the loans and the repayments that have been made so far and I'm satisfied Provident's figures are accurate.

Miss T has also questioned whether Provident will be paying off debt from her other defaulted accounts. But this complaint has only considered the five loans made to her between November 2012 and December 2013. So the earlier loans would need to be the subject of another complaint if Miss T wishes to make one with Provident and if they don't consider them time barred, as it appears they were made more than six years ago and a complaint may therefore not be possible.

Provident has suggested that rather than return the interest Miss T has paid, they write off the capital that would be due on the loan when they take it back. As the capital is more than the interest Miss T has paid I think that's a reasonable suggestion. Miss T will be better off as a result but no refund will be made as her debt will be removed instead.

my final decision

For the reasons I've given above I uphold this complaint and tell Provident Personal Credit Limited to:

- buy back the debt of £2,003.54 and write off the interest and capital; closing the account with nothing further to pay
- remove any negative information that has been recorded about these loans from Miss T's credit file

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 28 February 2019.

Phil McMahon
ombudsman