Financial Ombudsman Service

complaint

Miss S complains that Provident Personal Credit Limited lent to her in 2010 when she could not afford it.

She also complains that she has to repay the interest and charges added over several years but she was not informed about these.

background

Miss S took five loans and using the Provident information I have created a table which gives a brief summary of the loan details. For accuracy on exact figures the Provident Statements of account need to be referred to. This is a summary for illustration purposes only.

loan	amount	interest	repayable each week	date approved	date repaid
1	£200	£110	31 x £10	21 November 2009	22 June 2010
2	£200	£110	31 x £10	11 February 2010	22 June 2010
3	£500	£275	31 x £25	17 June 2010	19 October 2010
4	£800	£600	50 x £28	14 October 2010	both repaid September 2019
5	£300	£225	56 x £10.50	16 December 2010	

The Provident Statements of Account show me that Loan 2 overlapped with Loan 1 and so from mid-February 2010 Miss S was repaying £20 each week.

Provident says that Miss S' debt was sold to a third party in September 2014. Miss S has sent me copy correspondence from that third party who confirms that the debt for two agreements had been purchased and assigned to it. These were Loans 4 and 5.

One of our adjudicators looked at this complaint and thought that these loans were not affordable and should not have been approved for Miss S. She recommended that Provident put things right for Miss S in relation to each of the five loans.

Miss S has agreed with this opinion. She has explained that she has repaid the last outstanding sum for the last loan on 30 September 2019.

Provident has not responded and so the complaint has been passed to me for a decision.

my findings

I have considered 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. We have set out our general approach to complaints about high cost loans and short-term lending on our website.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they are borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves did not set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key element was that any checks needed to be proportionate and had to take into account a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

Provident says that it carried out appropriate checks and was satisfied that Miss S was able to afford the debt.

Miss S has sent to me explanations about her personal circumstances in 2009 and 2010. I have received copy P60s from her employment for the year to April 2010 and to April 2011 which show that she earned just under £2,665 in 2009-2010 and about £3,200 in 2010-2011. These figures translate into about £51 and £61 a week respectively.

Miss S has explained she received an education maintenance allowance (EMA) of £30 for her college study days. She was living with her parents at home and had a dependant.

Miss S was on a low wage and although she was living at home she will have had costs and expenditure for herself and one dependant. Miss S has explained that she used the £30 EMA for her college days and so that would have left £51 a week – likely less than that – when Loan 1 was approved. Her repayments were £10 a week at first and then within a few weeks - in February 2010 – Miss S would have been paying £20 a week as Loans 1 and 2 overlapped. And these repayments would have been a large portion of her weekly income and very large proportions of her disposable weekly income even with very modest spending.

In these circumstances, there was a significant risk that Miss S would not have been able to meet her existing commitments without having to borrow again. So, I think it is unlikely Miss S would have been able to sustainably meet the monthly repayments for Loan 1 and certainly not for Loans 1 and 2 combined.

I think that Loan 2 was refinanced into Loan 3 (at the same time as paying off Loan 1) as the Statement of Account for Loan 2 shows a large payment of £122.09 and an early settlement refund (ESR) of £17.91 to settle it on 22 June 2010.

I think that Loan 3 was refinanced into Loan 4 as the Statements of Account show that on the 19 October 2010 Loan 3 was repaid with a large sum - £422.68 - and Miss S was given an ESR of £52.32.

This demonstrates continual refinancing of the loans and ought to have alerted Provident that she was not in a position to repay these loans without having to borrow again. And the amounts Miss S was repaying each week had increased but her income each week had not increased much.

I uphold Miss S' complaint in relation to Loans 3 to 5.

Miss S appears to have paid Loan 4 quite regularly until 1 March 2011 and then collections stopped. For Loan 5 collections ceased around 1 March 2011. After a gap, Miss S recommenced paying about £6 a week and has now repaid the debt.

One specific aspect of the complaint was not covered in our adjudicator's view. This was that Miss S' Provident agent stopped collecting around March 2011 which led to her being unaware of the interest and charges being added to an account. Miss S moved house and then noticed the debt on her credit file. After Miss S contacted Provident it wrote to her with a notice of the arrears. This was in 2014 and so the interest and charges had become high. Then she was contacted by the third party agent. No default was added to her credit file, but I have seen a screenshot which shows that the payments for it showed on her file as being late. Since then Miss S has repaid at a rate of about £6 a week since 1 November 2014 until recently.

I will direct that Provident put things right by refunding all the interest and charges and so this payment of many years of interest and charges will be corrected. So I do not think that anything further needs to be said on this aspect of the complaint.

putting things right

Provident should do as follows:

- calculate the total of the repayments made by Miss S towards interest and charges on these loans, including any payments made to a third party;
- calculate 8% simple interest* on the individual payments made by Miss S from the date she originally made them to the date the complaint is settled; and
- add the sums arising from the above two calculations together and pay them to Miss S; and
- remove any adverse payment information recorded on Miss S' credit file in relation to each of these loans. Where the third party may have made entries onto her credit file, Provident must ask it to amend its entries in relation to these loans for Miss S in the same way.

*HM Revenue & Customs requires Provident to deduct tax from this interest figure. It should give Miss S a certificate showing how much was deducted if she asks for one.

my final decision

My final decision is that I uphold Miss S' complaint and direct that Provident Personal Credit Limited do as I have set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 11 November 2019.

Rachael Williams
ombudsman