complaint

Mrs F complains that Provident Personal Credit Limited was irresponsible to lend her more money than she can afford to repay.

Mrs F brings her complaint through her representative, Ms X.

background

Mrs F is in her 70's and has been a Provident customer for a number of years. She'd had several loans which worked well and were repaid as agreed.

But in 2014, she complained to Provident that its lending to her was irresponsible. She was finding it difficult to meet her loan repayments of around £100 a week. Provident didn't think that they had been irresponsible. In essence they thought that was because Mrs F usually paid on time and the loan was up to date. And it had completed its standard checks to indicate loans were affordable. Mrs F didn't agree with Provident's assessment but she didn't take her complaint any further and she did not refer it to this service.

About this time, Provident wrote off a debt for Mrs F's husband. He lacked mental capacity and didn't understand the commitment he made when he agreed the loan. His income was needed to pay for his care.

Since 2014, Mrs F has been borrowing more.

She now has three loans. These loans were approved in November 2016, as well as February 2017 and May 2017.Their repayment period has doubled from earlier loans. Two of these loans are for more money than usual.

When Mrs F found it hard to repay them she complained to Provident. Again, Provident did not think Mrs F had cause to complain about them. The loans were up to date so the evidence showed she could afford the repayments. And it had completed its standard checks.

Mrs F's representative, Ms X, asked this service to look into the complaint. She says Mrs F is losing mental capacity and is confused about her finances. Further, Mrs F has been paying Provident rather than other bills. This means she is borrowing more money, more often, to meet day-to-day living expenses. Mrs F pays Provident around 40% of her weekly pension.

Provident strongly disagreed that they had been irresponsible. They said that each week, their representative visits Mrs F to collect her repayments. They are well placed to get to know Mrs F, discuss her ongoing needs and to obtain information to support new loan applications. They did not pick up on any signs that she did not understand what she was asking for.

Provident's representative checked Mrs F's repayment history. Her accounts were working well. Since 2015, 103 payments were on time, she'd made 11 partial payments and missed nine. It does not think this is an indication of financial difficulties.

The representative asked Mrs F about her income and expenditure. And Provident says she knows she has to be accurate with the amounts. In the past, she signed declarations to this effect. And her previous complaint about irresponsible lending was not upheld because Provident used her figures to assess affordability.

Further, Provident said that Mrs F's answers were put into their lending App. It compared her answers to 'norms' for people in similar circumstances. The representative checked any differences. They said that if there was less than £15 per week left, after all of a customer's bills are paid, the App would automatically reject the loan application.

Provident says Mrs F gave it proof of her pension income. And it got credit reference data to confirm her commitments.

An adjudicator, at this service, looked into the matter. She though Provident could have made more enquires about Mrs F's ability to pay for example looking at her bank statements.

But she didn't think these checks would reveal anything to stop Provident lending Mrs F more.

Mrs F's representative disagrees and has asked for an ombudsman decision.

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 note, repayments reduced to around £100 per week; having peaked about four months before Mrs F complained. This is because other loans have finished.

How did Provident asses the affordability of Mrs F's latest loans?

In summary, Provident says it has followed due process to assess Mrs F's ability to pay her loans. They told me the enquiries it made are proportionate and robust, which are fair because customers are treated the same and what people say is checked against what is reasonable for their circumstances.

I can see on the face of it they did do checks. The question is whether they were sufficient in light of the circumstances of Mrs F. And I don't think this is the full picture in this case.

Should Provident have done more?

In 2014 Mrs F complained about struggling with her repayments. Provident didn't uphold this and it says that it wouldn't treat the customer differently because of this. I appreciate that it would not be fair to discriminate against a customer purely on the basis that they had made a complaint. Of course that is right. But it is, in my view, clear that this was an early warning that all was not as it appeared to be.

Similarly, Provident would be aware of the extra strains placed on the F family finances because of Mr F's ill health and the additional costs that it brought. After all, it had written off a sizable loan and a representative was visiting every week.

I note that Provident says it checks to see if applicants are aged between 18 and 74. This they say is because someone over 74 might be vulnerable. As Mrs F was 75 I asked if Provident thought she was vulnerable or not and how had it reached the conclusion it had.

Provident said "The age is different for existing customers for further lending and the agent does take more care during assessments and on checking history of payments, amounts *etc*. We would not necessarily place an existing customer over the age of 74 as vulnerable but we do rely on the issuing agent to make sure there are no changes to the customer's circumstances or behaviour *etc*".

I disagree. Vulnerability is not a product of being an existing customer or not. And I think if the agent had taken "more care during assessments" they would have realised that Mrs F was vulnerable. Her circumstances have changed since 2014. She was borrowing frequently, for increasing amounts and longer periods. Further her husband had become ill and much of the household income is redirected to care costs. And Ms X says Mrs F is becoming confused about her finances; although no medical evidence has been offered to support this opinion.

I'm also concerned to note that Provident's records show wide variations in Mrs F's income. I think they are incorrect and unexplained.

In February 2017, Provident recorded that Mrs F had a state pension of £255.This accords with the money paid into Mrs F's bank account. In May 2017 her pension increased to £380 per week for affordability calculations. And yet, Mrs F's bank was only receiving £260.

Of course, income can fluctuate but I do not think the representative saw evidence of Mrs F's pension when her most recent loan was proposed. Meaning her annual income was overstated by more than £6,000.

Similarly, in March 2016, Provident notes 'other pension/Annuity' of £400 per month. But no extra money went to Mrs F's bank account. I couldn't see anything to prove the representative saw evidence of this additional income either. Of the nine loan applications Mrs F made between February 2015 and May 2017, the extra amount is only listed once. Because of this, I think this is a mistake too.

On this basis I don't think the changes to Mrs F's income were discussed either; if they had been any mistakes would have come to light.

If Provident had done more, should it have made a different decision?

Better checking would show the May 17 affordability calculation was wrong. But I think Provident would still calculate the weekly repayments were affordable. And existing loans would finish soon so repayments would drop to a more comfortable level within weeks.

However, I note that Provident lends a maximum of £2,500 per loan for established customers. This is a meaningful way to help customers control their debts. Unfortunately there is no limit to the number of loans that can run at the same time. So Mrs F was allowed to have three loans. Because she already owed more than £2,500 on the first two loans, she didn't have an option to consolidate them into a single, more affordable, repayment structure.

When I asked, Provident said it is not uncommon for its customers to have more than one loan running at a time. This is because customers tend to have a ‘thin credit file’, so they have limited options for further borrowing, and limited savings to meet unexpected costs as they occur. So this is not a reason to refuse the loan.

I can understand that as a proposition, but I don’t understand how it relates to Mrs F. The evidence provided doesn’t show why a 75 year old needed to borrow so much money in a short space of time. When asked, Provident confirmed it had stopped noting this information in 2015, when the Lending App was introduced. Had the need for the borrowing been explored, Mrs F’s position would have been better understood.

For the reasons discussed above, therefore, I think there is sufficient evidence to think Mrs F should have been treated as a vulnerable customer. Certainly Provident hasn’t offered anything to show how it reached the conclusion she wasn’t.

As I look at the overall picture it is one of rapidly increasing debt. And I think Provident has failed to take this into account when granting the two most recent loans. Mrs F borrowed £2,900 over three months. This was on top of £1,600 she borrowed three months earlier. These loans more than double once interest is added.

And in this case I think Provident should have taken steps to prevent a vulnerable client borrowing so much, in such a short space of time.

In summary

Provident has relied on a standard process that it has failed to follow it in some respects. This led to mistakes in how it assessed the affordability of Mrs F’s borrowing.

Further, I think Provident failed to identify Mrs F as a vulnerable customer and because of this it didn’t make enough enquiries to make a fair and reasonable decision when it chose to lend her more money. I agree she can make the repayments but only because the term has doubled. And the total amount she owes is disproportionate to her income and other personal circumstances.

For these reasons I have come to a different conclusion to the adjudicator. I think that Provident needs to do more to resolve this complaint. Because of this I was inclined to ask Provident to waive the interest on the two loans granted in 2017. The capital outstanding remains payable by Mrs F. Both loans should be repaid within the agreed loan term and repayments should be adjusted by Provident to reflect this. Since issuing my provisional decision, Provident has agreed to do this.

my final decision

My final decision is to instruct Provident Personal Credit Limited to waive the interest it has charged Mrs F on two loans it granted in 2017 (agreement numbers ending in 4871 and 9746). Further it should recalculate Mrs F’s loan repayments to ensure the remaining capital is repaid within the agreed loan terms.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs F to accept or reject my decision before 14 May 2018.

Richard Houlbrook
Ombudsman