

complaint

Miss F, represented by a family member Mr K, complains that Provident Personal Credit Limited lent to her irresponsibly.

background

Mr K says that Provident lent a large amount to Miss F even though this was unaffordable. He says Miss F suffers from mental illness and her only income is from benefits. He says he has been trying to resolve this issue with Provident since October 2015 and he feels the complaint is not being dealt with in a timely way.

Mr K says that Provident agreed a loan for Miss F when she was in financial difficulties. He says that in 2014 Miss F was overdrawn and had significant other debts.

Provident says that affordability assessments were carried out before it agreed to each of the loans to Miss F and that Miss F signed the loan agreements confirming the loan terms. It says it does not have evidence to suggest that Miss F lacked the capacity to understand the loans when they were issued.

Provident says that Miss F's repayment history does not suggest that the loans were unaffordable.

The adjudicator said that she did not think the loan provided in October 2014 was affordable. She said that based on Miss F's borrowing Provident should have been concerned about her reliance on debt. She also said that the expenditure figure provided by Miss F in her application should have been challenged. Because of this she recommended that Provident remove the interest charged for this loan and remove any entry regarding this loan from Miss F's credit file. She also recommended that Provident write off the remaining balance on the loan.

Provident did not agree. It said that its assessments showed the loans were affordable when granted. It says Miss F was required to provide accurate information about her financial outgoings and that it was not required to ask further questions about this information unless it suspected the information was not accurate. Provident said that Miss F's financial circumstances did not vary much throughout the time she was provided with loans and her payments were maintained suggesting she was aware of the loan terms.

In regard to Miss F's mental health, Provident said that it only had evidence regarding this for a certain period during which it did not provide finance to Miss F. It says that refinancing is a standard procedure and that Miss F was provided with this option and that she benefitted from an interest rebate because of this.

Overall, Provident did not accept the loans were affordable and offered to discuss a suitable repayment plan with Miss F.

my provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- the loans Miss F took out in 2013 were for relatively small amounts and the information she provided in her loan applications about her income and expenditure meant the loans could be considered affordable;
- that although Miss F's income was from benefits, this was not a reason for her to have been refused credit;
- In 2014, Miss F was taking on an increasing amount of debt and I would have expected Provident to carry out more detailed affordability checks on the loans from February 2014 onwards;
- based on the timings of Miss F's loan repayments it appeared that Miss F was taking out new loans to repay her previous loans;
- while Miss F's income figure remained reasonably consistent in her loan applications, her expenditure figure for total outgoings (excluding the Provident loan repayments) varied. I found that based on her previous expenditure figures the lower expenditure figures provided for her later loans should have raised concerns;
- Miss F's bank statement for February 2014 showed she was overdrawn. It showed she was making repayments on other credit accounts and paying general expenses and that her income was not covering these costs. Her expenditure was higher than the amount she suggested on her application form;
- I accepted that Miss F should have provided accurate information in regard to her expenditure, but also found that Provident should have carried out more checks. If it had I found it would have realised that Miss F's disposable income was not as high as she had said and that the loans were not affordable;
- I noted that Miss F's mental health report said that Miss F's condition deteriorated in January 2014 and that she may have had difficulty dealing with financial matters. I understood Mr K's concerns about Miss F's ability to understand the agreements but I also accepted that Provident was not made aware of this at the time.

On balance, I found that Provident should have carried out more detailed checks into whether the loans it provided were affordable. I found the pattern of Miss F's borrowing and repayments, the increasing level of her debt and the low expenditure figures she provided should have raised concerns. I found that had further checks been carried out on the loans provided from February 2014 they would not have been considered affordable.

Because of this I found that Miss F should be refunded all interest charged on her loans dated February 2014 and beyond.

Both parties accepted my provisional 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.

Both parties accepted my provisional decision and I find that I have no reason to change my decision.

In its response to my provisional decision, Provident provided a calculation saying that the loans it had been asked to amend gave a total interest rebate of £2,946. It said that there is an outstanding balance of £1,260 which it would deduct and then provide the additional funds by cheque. It said that once the balance was cleared it would amend Miss F's credit file.

my final decision

My final decision is that Provident Personal Credit Limited should, as it has agreed:

- refund all interest and charges applied to Miss F's loans dated February 2014 and beyond; and
- remove any information relating to these loans from Miss F's credit file.

The refund can be offset against Miss F's arrears and any remainder paid to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K, on behalf of Miss F, to accept or reject my decision before 26 September 2016

Jane Archer
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