

complaint

Mr C had a loan from Provident Personal Credit Limited. He wanted to take out a new loan, but Provident only offered to top up his existing loan. He complains that this topped up loan was mis-sold to him. He wants this loan to be written off, and to receive compensation.

background

Mr C initially borrowed £600, repayable over 52 weeks. He made 21 weekly payments, but then wanted to borrow a further £300. Provident offered to top up his existing loan to £900, repayable over 63 further weeks. Mr C complained that this arrangement pushed him into a higher amount of debt than a separate £300 loan would have done.

Provident did not uphold Mr C's complaint. It was not willing to allow Mr C to have two concurrent loans, and the topped up loan was structured to keep the weekly payments low and affordable for him. But Provident also made an offer to reduce interest charged by £75, in order to settle this complaint.

Our adjudicator said that we could only consider whether the amount loaned to Mr C was unaffordable. This was because we do not have powers to change decisions made by lenders exercising legitimate commercial discretion – which meant that Provident could decide whether to offer loans to Mr C (and, if so, on what terms), and Mr C could decide whether to accept offers made.

Our adjudicator did not think the complaint should be upheld. She felt that Provident had responded fairly to Mr C's request for a new £300 loan, when it offered instead to top up his existing loan by £300. She acknowledged that Provident had written to Mr C about new loans. But she pointed out this letter said Provident 'may be able' to offer a new loan – that was not a definite offer and, in any case, all offers were subject to availability.

Our adjudicator also told Mr C that the settlement offer made by Provident was still available.

Mr C disagreed with our adjudicator's view, and also considered the settlement offer to be too low. He asked for his complaint to be reviewed 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 find that I have come to the same conclusion as our adjudicator, for similar reasons.

The amount borrowed by Mr C was topped up by early settlement of his first loan. Part of the funds released was taken to repay the previous debt, and the remainder was immediately carried forward into a second loan.

Evidence from Provident suggests that this re-financing process and the early settlement terms were explained to Mr C. Evidence also suggests that appropriate affordability checks were conducted, before Provident offered to top up his loan.

In my view, Provident made a legitimate commercial judgement not to allow Mr C to have two concurrent loans. The process outlined above was a suitable means of enabling him to increase the amount he was borrowing, while not having two loans active at the same time.

I also find the settlement offer made by Provident to be fair and reasonable, in the circumstances of this complaint.

my final decision

For the reasons explained above, my decision is that Provident Personal Credit Limited should reduce the interest charged to Mr C by £75. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 January 2016.

Roy Mawford
ombudsman