

complaint

Mrs T complains that Greenwood Personal Credit Limited (GPC) gave her three loans she couldn't afford. Mrs T is represented by a family member but I'll refer to everything that's said on her behalf as if Mrs T had said it, for ease of reading.

background

The background to this complaint and my provisional findings are set out in my provisional decision dated 21 June 2017 – a copy of which is attached and forms part of my final decision. In my provisional decision I explained what I'd decided about this complaint and what I intended to do – subject to any further submissions from the parties by 5 July 2017.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs T and GPC have both acknowledged receipt of my provisional decision. Neither has provided any further evidence for me to consider so I see no reason to depart from my provisional decision.

my final decision

My decision is I uphold this complaint. In full and final settlement I require Greenwood Personal Credit Limited to

1. refund interest on all three loans;
2. remove any adverse information recorded about the loans from Mrs T's credit file;
and
3. pay interest at 8% simple a year on any refund from the date of payment to the date of settlement.

If GPC considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mrs T how much it's taken off. It should also give Mrs T a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 7 August 2017.

Claire Jackson
ombudsman

copy provisional decision

complaint

Mrs T complains that Greenwood Personal Credit Limited (GPC) gave her three loans she couldn't afford. Mrs T is represented by a family member but I'll refer to everything that's said on her behalf as if Mrs T had said it, for ease of reading.

background

Mrs T took out the first loan for £500 in June 2012. That was repayable over 33 weeks at £25 per week totalling £825. It was repaid on 9 April 2013. Her second loan for £400 was taken out five days earlier on 4 April 2013. The payment term was 32 weeks. Mrs T agreed to pay back £640 at £20 per week. That was repaid on 28 August 2013. She took out a third loan for £600 on 22 August 2013 meaning £1,092 was repayable over 52 weeks at £21 a week. That was cleared on 31 March 2015.

Mrs T wrote to GPC in September 2012 to say she had financial problems but it didn't reply. She says none of these loans were affordable for her and GPC would have known that if it had done proper checks. She would like it to refund charges and interest.

GPC says

- it carried out proper checks which included a basic credit check and it wasn't proportionate to the amounts being borrowed to look at Mrs T's full credit file;
- its agents' face to face interaction and relationships with customers mean it has an advantage over internet lenders - agents will be aware of a change in circumstances and they are trained to check and question anything in a customer's income and expenditure that doesn't add up;
- it asked Mrs T about her income and expenditure and it was entitled to rely on her answers – and the agent took other credit commitments into account;
- these loans looked affordable on the information Mrs T provided about her disposable income when she applied for each one;
- it provides credit to non-standard customers who may not have access to credit from mainstream sources and it's not unusual for customers to re-finance loans;
- it allowed Mrs T to lower her repayments when she had some financial difficulties;
- she was able to get the payments back on track so it wasn't irresponsible to extend further credit;
- loan 2 was paid off before the agreed term ended; and
- Mrs T's difficulties repaying loan 3 were due to a change in her situation after the loan was approved.

Our adjudicator thinks loan 1 looked affordable on the income and expenditure details Mrs T provided but she notes the following

- Mrs T wasn't able to maintain weekly payments for that first loan – they were reduced to £25 a week to £5 for nearly three months - and a loan that should have taken 33 weeks to repay took over 40;
- loan 2 was taken out five days before loan 1 was repaid. The payment history shows two reduced payments and a large amount was paid off on 28 August 2013 - six days after loan 3 was taken out so some of loan 3 was likely used to pay off loan 2; and
- Mrs T was six months in arrears with another lender at the time and it took several months more than it should have to pay off loan 3.

Our adjudicator thinks GPC should've carried out further checks before providing loans 2 and 3 in the light of the difficulties Mrs T had paying off the lower amount she borrowed in loan 1. She thinks GPC is likely to have realised these loans weren't affordable and rejected the last two applications if it had done more checks – it could have verified Mrs T's finances or looked at her full credit file. She

recommends GPC should refund all interest and charges for loan 2 and 3 plus interest and remove any adverse entries about those loans from Mrs T's credit file.

GPC doesn't agree. It offers to refund interest on loan 2 but it considers loans 1 and 3 were provided responsibly.

my provisional findings

I've considered all the evidence and arguments available so far to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

GPC was required to carry out reasonable and proportionate checks before lending to ensure Mrs T was likely to be able to pay back the money she borrowed in a sustainable way. That means she should have been able to make repayments out of income or savings without taking on more problem debt. I have thought carefully about everything GPC has said about its lending process and customer base. I have taken all of that into account in reaching this provisional decision.

GPC asked Mrs T about her income and outgoings and ran some credit checks before lending for the first time. I don't think those checks were unreasonable in principle - given the type of loan and amount borrowed. And I accept GPC was entitled to rely on the information Mrs T provided. But, as GPC has acknowledged, that's only the case if it didn't have reason to question what Mrs T said.

When Mrs T took the first loan out she told the agent her joint household income was about £350 a week and her outgoings were about £220 meaning she had about £150 spare each week. Mrs T didn't include any amount for loan repayments. I think the agent should reasonably have known that wasn't correct. This is because Mrs T had declared joint income and expenditure. And the agent had given her husband 3 other loans in preceding months - which meant at least £36 a week was being paid out of their joint income which Mrs T hadn't mentioned.

I realise that £36 a week, even if it had been taken into account, wouldn't make loan 1 look unaffordable. But, I think the fact that Mrs T didn't include those credit repayments suggests either she didn't understand the information GPC needed from her - or she wasn't being entirely forthcoming about her disposable income. In either case, I think it would have been reasonable for GPC to take a closer look at Mrs T's financial situation before lending.

It was open to GPC to check Mrs T's credit file or verify her outgoings. It seems to me - given the agent called at Mrs T's house every week - it wouldn't have been too difficult or disproportionate to ask to see some bank statements to verify income and outgoings.

I've done so and I'm satisfied about £176 a week was being paid to other lenders out of the joint income Mrs T had declared around the time Mrs T asked for her first loan. If GPC had taken that into account at the relevant time I think it would have realised Mrs T had, in fact, no money to spare each week and she wasn't likely to be able to pay loan 1 back in a sustainable way.

Mrs T told GPC that she was in financial difficulties just a few months later in September 2012. GPC thinks those problems were temporary. I've seen no evidence to suggest that Mrs T told GPC that was the case. I am not persuaded it was reasonable for GPC to assume Mrs T's financial problems had come to an end simply because she resumed her contractual repayments for a time. Mrs T says she felt pressured to meet her repayments and was unable to do so without incurring more problem debt. I've seen no evidence that leads me to believe that Mrs T's financial situation did improve after she told GPC she was in trouble in September 2012 - if anything I think it probably got worse.

In all of the circumstances, I'm minded to find it would have been reasonable for GPC to do a few more checks before providing any of these loans. I think GPC is likely to have realised that Mrs T was

in difficulty and her financial problems weren't temporary if it had done so – in which case it wouldn't have provided any of these loans. So, I'm inclined to find GPC should refund interest and charges on all three loans and remove any related adverse information from Mrs T' credit history.

my provisional decision

For the reasons I've explained, and subject to any further submissions I may receive from Mrs T or GPC by 5 July 2017, I intend to require Greenwood Personal Credit Limited to

4. refund interest on all three loans;
5. remove any adverse information recorded about the loans from Mrs T's credit file; and
6. pay interest at 8% simple a year on any refund from the date of payment to the date of settlement.