

complaint

Ms L complains that Provident Personal Credit Limited hasn't helped her after she told it of her financial difficulties resulting from an accident, serious health and personal issues. She wants a refund of the charges she's paid.

background

Provident said in its final response that Ms L had eight loans with it between late 2008 and early 2011. All have been paid off in full. The last two were paid off outside the agreed terms. Its checks indicated the loans were affordable. It didn't issue further loans after she missed payments and there were arrears. Although Ms L says she experienced severe financial hardship throughout she was making overpayments in 2009 and 2010. Her repayment record didn't give rise to concern.

Our adjudicator felt this complaint should be upheld. She said

- Because of the time that's gone by we can only consider Ms L's loans taken out on 8 November 2010 and 28 February 2011.
- Ms L suffered a serious accident in 2008 and since then she's had serious health and personal issues. Even so she managed to maintain her repayments adequately for some time until 2011. She paid the Provident agent at her relative's address and it's reasonable to assume they had everyday conversations about all sorts of things.
- On 8 November 2010 Ms L borrowed £300 and this incurred charges of £225. Payments were irregular. It was repaid in full on 9 August 2011. Provident says it tries to be understanding when this happens. But as Ms L paid up the account, this is usually a good indication of no financial hardship.
- By the time this loan was paid off Ms L had already taken out another two loans for £400 each on 28 February 2011. Each had £300 of charges. Both loans were for 50 weeks with weekly repayments of £14 each. But the documentation shows her disposable income was £14.
- Further checks should've been made at that time as she was still repaying the previous loan. These two loans suggest Ms L was in financial difficulties and the payments weren't sustainable.
- Although Ms L might not have contacted Provident about her financial difficulty it's likely it was mentioned to its agent. Ms L's relative has also confirmed she told the agent about Ms L's difficulties. On balance the agent was likely aware of Ms L's difficulties.
- The two loans of 28 February 2011 shouldn't have been granted. These loans were unaffordable and as a responsible lender Provident should've realised Ms L was in financial difficulties by then at latest.
- So, Provident should refund the charges incurred on these two loans which total £600 plus interest. Provident should also pay Ms L £100 compensation for the distress and inconvenience caused.

Provident doesn't agree and has asked for an ombudsman review. In summary it says it wasn't told of Ms L's personal circumstances and it couldn't take her vulnerabilities into account. Its agent wasn't told of Ms L's particular personal issues. It took into account Ms L's previous good repayment history and the information she gave. These suggested the last loans were affordable. Her circumstances clearly changed after the last loans were taken out.

my findings

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

There's a disagreement over what Provident's agent may've been told or known about Ms L's circumstances and difficulties. But whatever Provident knew of them I think Ms L's borrowing history should've alerted it to the fact that she may have been in some financial difficulty and the last two loans may have been unaffordable.

Ms L applied for two loans on 28 February 2011 and the total amount she borrowed was more than twice the amount of the previous loan. The previous loan was also at that time still not paid off and payments to it had been irregular. Ms L's disposable income also appears to have been insufficient to afford to pay off all three loans.

I think this should've prompted Provident to ask more questions. If it'd done so I think it's more likely it would've declined to grant these loans, than not.

Taking everything into account I don't think Provident has shown that it carried out appropriate checks at this time, that these two loans were affordable or that its lending of them on 28 February 2011 was responsible.

Overall I think the adjudicator's proposed resolution of this complaint is fair and reasonable. And I don't see any reason to change the proposed outcome in this case except that as these two loans shouldn't have been granted they should also be removed from Ms L's credit file.

my final decision

I uphold this complaint and I require Provident Personal Credit Limited:

1. To refund the charges of £600 on the two loans granted on 28 February 2011 plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement;
2. To pay Ms L £100 compensation; and
3. To remove these two loans from Ms L's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 19 December 2016.

Stephen Cooper
ombudsman