

complaint

Mr R complains that Provident Personal Credit Limited was irresponsible in granting him loans.

background

The adjudicator has set out the background in some detail in her opinion letter and I won't repeat it here. In short, Mr R took out a number of loans with Provident in recent years. These started as relatively small sums and gradually increased. The first taken out in 2015 was for £200 and the last was for £1,600.

The general pattern was that a new loan would replace the preceding one and increase his borrowing. Mr R is employed and has monthly income of over £2,000. Provident carried out basic checks and for the earlier loans the sums borrowed were relatively small compared to Mr R's income. When he complained Provident said it had carried out appropriate checks and had taken his income and expenditure details into account. It also carried out additional checks from third party sources to establish his creditworthiness. However, it offered him £30 due him being unable to get through when calling.

Mr R brought his complaint to this service where it was considered by one of our adjudicators who recommended it be upheld. She felt further checks should have been carried out for loans four and five. Mr R had shown signs that he was having difficulty making his repayments. Although he was making payments on loan three he was missing some payments on loan four prior to applying for loan five.

She believed it would have been reasonable to have carried out full enquiries after loan three to Mr R to make sure he could afford the increased repayments. For example it could have looked at his bank statements which would have shown he had been spending significant sums on gambling. She suggested Provident remove the interest and charges on loans four and five and remove any adverse information from his credit file.

Initially Provident disagreed, but it then it changed its response. It said there were still two outstanding loans, four and five, for which no capital had been repaid. The interest due amounted to £2,672.80 which it would write off. It would also remove any historic adverse entries on his credit file, but it asked that an arrangement be set up for Mr R to pay the outstanding balance. Mr R was unsure as to whether accept this offer.

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 agree with the adjudicator that Provident should have carried out further checks once it became apparent he was entering into a cycle of debt. He was borrowing to pay off previous loans and his level of debt was increasing. I am also aware he had other borrowing which should have alerted Provident to his wider financial situation.

I don't believe the first three loans were unreasonable, but I share the adjudicator's concerns about the last two. In these circumstances I consider it reasonable that Provident forgo the interest on these loans, but Mr R is still required to repay the capital he borrowed. He should therefore enter an arrangement with Provident to repay the capital. Provident is entitled to

seek repayment of that money, but I would remind the business of its obligation to deal with Mr R positively and sympathetically in helping him resolve his financial difficulties.

my final decision

My final decision is that I uphold this complaint and I direct Provident Personal Credit Limited write off the interest and remove any historic information regarding Mr R's borrowing for the last two loans. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 June 2018.

Ivor Graham
ombudsman