

complaint

Mr S complains that Provident Personal Credit Limited (PPC) lent to him without assessing whether the lending was affordable.

background

Mr S was provided a £500 loan in November 2010. The loan was repayable over 52 weeks. In September 2011, Mr S was provided another loan of £2,000. Part of this was used to repay the first loan early and there was a rebate of some interest because of this. The first loan was repaid. The second loan has not been repaid.

Mr S says that the first loan was provided to him after a five minute meeting and that no checks were carried out. The following year, he says he was offered a second loan. He says that questions were not asked about his outstanding debts or bills. He says he did not complete an application form but that PPC's agent completed the document and then asked him to sign it.

PPC says that the first loan was provided after an assessment was carried out at Mr S' home. It says that its agents discuss income and expenditure although details of this were not recorded. It says that based on this discussion, the agent saw no reason not to provide the loan. It says that it followed its internal lending policy when it provided the second loan. It says it assessed Mr S based on the length of time he had been a customer, his payment history and other personal criteria. It says that when it provided the second loan to Mr S, he had signed a customer details form which showed he was in full time employment and had a weekly disposable income of £585. It says that its agent completed the customer details form and then Mr S was asked to sign it confirming the details were correct.

The adjudicator said that based on Mr S' financial circumstances at the time the loans were provided, PPC should not have provided him with either loan. She said that Mr S' credit record showed he was made bankrupt in September 2006; had two defaults recorded in 2008; had taken out four payday loans one of which had a default registered in August 2010. She said these entries would have been on Mr S' credit file when the first loan was provided. By the time the second loan was provided in September 2011, she said that a further default had been registered in May 2011. She said Mr S' credit file showed he was struggling to meet his financial commitments and so she was not persuaded that PPC should have lent to him.

PPC did not agree with the adjudicator's view. It said that PPC did not carry out credit checks but that this was not a requirement when the loans were granted. It says it complied the EU Consumer Credit Directive 2011 in terms of assessing Mr S' credit worthiness.

my provisional findings

I issued a provisional decision in this case and concluded in summary:

- That while the regulations mention the use of credit scores and information from credit reference agencies, PPC was not required to use these and I accepted that it had not considered the information on Mr S' credit file.

- PPC based its assessment of Mr S' credit worthiness for the first loan based on a meeting with Mr S. I accepted that the discussion would have included information about income and expenditure, and that given the loan amount was £500, I did not find it unreasonable that the loan was provided based on this discussion.
- The loan documents included the information about the loan term and repayment amounts and I found that Mr S was provided with the information he needed to decide whether or not to accept the loan.
- Mr S' credit worthiness for the second loan was based on both his history with PPC, and the customer details provided about his income and expenditure. This showed that Mr S had a weekly disposable income of £585 (although this should have shown £575 based on a weekly income of £740 and total weekly outgoings of £165). It showed a zero for the amount spent on loan repayments.
- The OFT guidance says that a business is entitled to rely on the information provided by a consumer and as Mr S signed the information provided, I found it reasonable that PPC relied on this.

Mr S did not accept my provisional decision. He said that he had brought other similar cases to this service and that they had been upheld and questioned why this case was different. He said that the information about his income and expenditure was not completed by him and that the form he signed was different. He says that there is no documentation of the discussion that took place before PPC provided him with the first loan and that it increased the amount lent to him from the original £500 loan to a £2,000 loan within 12 months which was irresponsible. He also said that the second loan was used to pay off the first and so it could not be said that he had repaid his first loan.

PPC did not respond to my provisional decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I understand that Mr S has had other cases upheld, at least in part. However each case is dealt with based on the specific circumstances of the case. In this case there were two loans, the first for £500 and then 10 months later a loan for £2,000.

In this case, the first loan was for £500. PPC was under no obligation to carry out a credit check. The loan was provided following a discussion with Mr S and while I accept there is no documentation available of this discussion, I find it more likely than not that income and expenditure would have been discussed. Mr S signed the loan application form in which he stated he was in full time employment and also the document setting out the loan repayment terms. Based on this, I find on balance, that Mr S was given the information he needed to decide whether or not to accept the loan and that PPC's actions were proportionate at the time they considered his first loan application.

Mr S did make repayments under this first loan and while I can see that the payments were set out to be weekly for £17.50, Mr S made monthly payments of £70. I understand that the final amount of the loan was repaid when the second loan was granted.

In regard to the second loan for £2,000, PPC did not carry out a credit check and as noted above this is not a requirement. PPC relied on the information it had about Mr S including his repayment history. I do not find this unreasonable and while I understand Mr S' comments about how payments were made under his first loan, I find, on balance, that it was not unreasonable that PPC decided to loan a further amount to Mr S.

Mr S says that the information about his income and expenditure was not completed by him and I can see that his signature is on a different part of the customer information form. However, on balance I find it unlikely that Mr S was not aware of the information provided about his income and expenditure.

Mr S signed the loan agreement which clearly set out the loan repayment terms and therefore I find he was provided with sufficient information to decide whether or not to accept the loan.

On balance I do not find that PPC did anything wrong by providing Mr S with the loans.

my final decision

My final decision is that I do not uphold this case.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 6 July 2015.

Jane Archer
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