

## **complaint**

Mrs F complains that Provident Personal Credit Limited didn't carry out proper affordability checks and irresponsibly granted her unaffordable loans. She says she was in a spiral of debt and the loans worsened her position. She wants the interest refunded and her credit file amended.

## **background**

Provident said in its final response that Mrs F had eight loans in the last six years. All were repaid in full. She'd said on the applications for them that they were affordable and she'd supplied income and expenditure information. She'd adequate disposable income to afford the loan repayments. It'd carried out appropriate affordability assessments. And her repayment history didn't show any financial difficulty as she'd suggested.

Our adjudicator felt this complaint should be upheld. She said:

- Provident gave Mrs F nine loans between January 2010 and June 2014.
- Mrs F took out the first loan for £2,000 and while it was being repaid she took out another for £800. Having reviewed her bank statements at this time her regular outgoings were more than her salary and she was also regularly taking out payday loans. But Mrs F said in her applications that she'd enough disposable income. Provident was entitled to rely on this information and she can't say it should've known these loans weren't actually affordable.
- These two loans were repaid by Mrs F taking out a new loan for £2,800 in June 2011. Given the information she supplied about her disposable income and given her payment history it was reasonable for Provident to give this loan.
- But less than a month later she was given another loan for £600. This should've put Provident on notice that Mrs F might be experiencing financial difficulties. The earlier loan went into arrears in March 2012. Despite this Provident gave then her another £1,000 loan in April 2012. This was partly extra borrowing at a time she couldn't afford to service her existing borrowing. This wasn't responsible lending.
- It would've been reasonable for Provident to have carried out further checks at that time, for example verifying her income and looking at her bank statements. If it'd done so it would've seen her income was substantially lower than stated and she'd significant outgoings to other financial institutions. She was also regularly taking out payday loans.
- Provident didn't carry out sufficient checks and the loans weren't affordable. But it wouldn't have necessarily been aware of this until the loan given on 15 April 2012. At that time it should've carried out further affordability checks before lending to her and it should've reasonably become aware the later loans weren't affordable.
- So, Provident should refund all interest on all loans from 15 April 2012 plus pay interest. It should also remove any adverse information about these loans from her credit file.

Provident doesn't agree. But it's offered to refund the interest on the last loan plus interest.

Mrs F has asked for an ombudsman review.

### **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's conclusions for the same reasons.

The type of checks carried out for these loans wouldn't be the same as those for a payday loan as the whole amount doesn't have to be repaid the following month. Provident was also entitled to rely on the information given to it by Mrs F.

Even so, I agree with the adjudicator that it would've been reasonable for Provident to have asked more questions and carried out further checks when Mrs F effectively increased her borrowing in April 2012 by taking out another loan at a time when she was in arrears on her previous loan. If it'd done so, I think it would've most likely refused to lend the loans from 15 April 2012.

I don't think Provident has shown it carried out proportionate checks on this and the later loans, that they were affordable or that it's lending from this date was responsible.

Provident has recently offered to refund the interest on the last loan. But I don't think that goes far enough.

Taking everything into account 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.

### **my final decision**

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

1. To refund to Mrs F the interest on all loans from 15 April 2012 plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
2. To remove any adverse information about the loans from that date from Mrs F's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 24 February 2017.

Stephen Cooper  
**ombudsman**