

complaint

Miss N complains that Provident Personal Credit Limited acted irresponsibly in giving her loans which were not affordable.

background

Miss N says that at the time of the loans she was only working eight hours a week, and was given the first loan the day after her 18th birthday. She says she felt pressured as she was told it would help improve her credit rating, and that the affordability of the loans wasn't assessed. She says had to take other loans to keep up with payments until eventually she couldn't manage and the account defaulted.

Our adjudicator recommended that the complaint was upheld. Provident hadn't been able to show that any information about Miss N's income and expenditure was taken at the time. He thought that Provident should refund all the interest and charges on the loans, with 8% interest, remove all information about the loans from Miss N's credit file and pay her £150 in compensation for the distress and inconvenience.

Initially Miss N had no comment except that she hoped matters could be resolved quickly. Provident did not respond to the adjudicator's view so the complaint was passed to me for a decision.

my findings

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

Provident says that its agent would have taken details of income and expenditure, and made an assessment of Miss N's ability to make the re-payments. But it hasn't been able to produce any records of that, or anything else to show that it considered the affordability of the loans. It doesn't think it should be held accountable for that because the issues arose nearly six years before Miss N complained. One record it did produce confirms that Miss N had told it at the time that she was working part-time as a shop-assistant.

When it is within six years, and Provident has been able to produce records of the applications I would also have hoped to see records of any affordability assessments done. It is clear that Provident knew that Miss N was only working part time, and in a comparatively low-paid job.

Miss N took a series of four loans within a period of seven months after her eighteenth birthday as follow:

- the first was for £300 and was to be paid back over 23 weeks at £19.50 a week;
- the second, taken about two months later was for £800 to be paid back over 50 weeks at £28 a week;
- the next taken about three months later was for £1,400 to be paid back over 50 weeks at £49 a week;
- the last about another two months later was for £600 to be paid back over 50 weeks at £21 a week.

From the limited information supplied by Provident it looks as though the second loan was used in part to pay off the first, and the third was used in part to pay off the second. Provident hasn't supplied a copy of the payment record. But it said in its response to Miss N that her payment history did not indicate that she was struggling to make repayments until the final loan was made. It said she had then made 20 payments on time and missed five.

Unlike Provident I think that someone missing a fifth of all payments due so far, should be seen as struggling. But it does suggest that Miss N probably managed to make most payments at first, which might reflect that even on her low income the initial loan of £300 repaid at £19.50 a week was affordable. It is true that having a loan can help establish a credit rating: so long as it is paid back on time. And there is no reason why Miss N could not borrow the money when she was 18. I wouldn't have expected very detailed checks on a first loan of that amount and type. I did give Miss N the chance to give more evidence about why even the first loan was unaffordable. She said her job hadn't been permanent and her main commitment was the cost of her car, particularly the insurance at between £150 and £200 a month. But the loan was quite short term, and it doesn't appear that Miss N's income was already fully committed for essentials. On balance, in all the circumstances, I don't think I have grounds to say that the first loan was given irresponsibly.

However I am concerned about the later loans. When Miss N came back to borrow more than twice as much about two months later, I would have expected more consideration to be given to affordability. Although the second loan was over a longer period, the £28 a week repayments could have been taking more than half her very small income. Matters would have got worse when she took the third loan and was paying £49 a week, and by the time she took the fourth she would have had to pay £70 a week. Without any evidence of proper assessment of affordability for the final three loans, on balance I think that in all the circumstances those loans would not have been given if a proper assessment of affordability had been done. So I uphold the complaint about those loans.

Like the adjudicator I think Provident should refund all interest and charges on those final three loans, together with interest at 8%. It should remove all information about them from Miss N's credit file and pay her £150 for the distress and inconvenience.

my final decision

My final decision is that I uphold this complaint, as regards the final three loans. In full and final settlement I order Provident Personal Credit Limited to;

- refund all interest and charges on the final three loans taken out in July, October and December 2010;
- pay Miss N 8% interest on all the above, from when they were incurred to date of settlement;
- Remove all information about those three loans from Miss N's credit file;
- Pay her £150 in compensation for the distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 26 October 2016.

Hilary Bainbridge
ombudsman