

complaint

Mr B complains about a number of matters concerning his relationship with Provident Personal Credit Limited. He says Provident didn't adequately assess his affordability of loans given to him, he is unhappy about how he was approached for the loans and also the conduct of one of Provident's agents in their dealings with him.

background

Our adjudicator didn't consider there was enough evidence for him to reach a conclusion that the behaviour of Provident's agents was unsatisfactory. However, although Provident argued that the loans were sold properly, the adjudicator couldn't see any evidence of what specific affordability checks were carried out or when. He concluded that substantial checks didn't take place.

Provident made three loans to Mr B. Two of these were never settled and sold onwards by Provident. The loans were:

- £500, plus £375 of interest and charges. Active from March 2010 to April 2013, when it was sold with an outstanding balance of £550.61; and
- £200 plus £150 of interest and charges, active from November 2009 to April 2013 when it was sold with an outstanding balance of £74.39;

And Mr B also had one other, previous loan, which was for £300, plus £225 and interest in charges. This was issued in August 2009, and settled in March 2010.

The last loan was issued when Mr B still owed £217 on the second loan and the second loan was issued when he still owed £388.50 on the first loan.

Taking into account that Mr B was sold overlapping loans and in the absence of evidence that satisfactory affordability checks were made, the adjudicator said that the loans were made without adequate consideration for Mr B's ability to repay them.

He therefore recommended the complaint should succeed and Mr B's liability should only extend to repaying the capital of the loans, not the interest and charges. And given what Mr B had paid back already in respect of these loans, this would mean that he should not need to make any further payments – and indeed should be refunded £125 he had paid, in excess of the capital owed.

The adjudicator noted that Mr B suffers from mental health issues, and has been considerably distressed from having entered into agreements he could not afford. He therefore recommended that Provident pay compensation to Mr B of £150.

Provident has asked that the complaint be reviewed. It planned to submit more evidence about how it satisfied itself that the loans were affordable for Mr B but it hasn't. It also says that it hasn't seen sufficient evidence of Mr B's mental health for it to be able to understand what impact this should have had on its intention to lend to Mr B.

my findings

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

Having done so, I've come to the same findings and conclusions as the adjudicator. I agree with the adjudicator that Mr B's mental health aren't relevant to my decision about whether the loan should have been made to Mr B. Provident can't demonstrate that satisfactory affordability checks were made before it lent funds to Mr B, the loans overlapped and I am satisfied that the lending wasn't affordable for Mr B.

That said, Mr B has had the benefit of the loan monies and I agree that he should repay those funds to Provident. However, he has already repaid more than that amount and I agree that Provident should pay back to Mr B, the balance over that amount, £125.

As regards to the compensation recommended by the adjudicator for Provident having made the loans to Mr B and causing him the upset that he has suffered, I agree that it should pay £150 to Mr B. Provident has questioned the volume and nature of the evidence that Mr B has provided to demonstrate his mental health.

However, Mr B has explained the impact the lending has had on him and how this has been the case, at least in part, because of his mental health. I accept Mr B's evidence as credible and persuasive and I consider he has produced sufficient evidence of his mental health for me to accept that this was material to how Provident's lending decisions impacted on him.

I note that the outstanding loans have been passed to another business although there is a suggestion that they will be passed back to Provident. Therefore, as part of my decision, I require Provident to either take back the outstanding loans from the business they were passed to or settle them so that the other business no longer pursues Mr B for settlement.

my final decision

My final decision is that I uphold this complaint and require Provident Personal Credit Limited, in full and final settlement of this complaint, to:

- pay to Mr B a total of £275; and
- ensure that Mr B is no longer pursued for repayment of the outstanding loans, in line with how I described, in the body of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 October 2015.

Ray Neighbour
ombudsman