Financial Ombudsman Service

## complaint

Mr B complains that Provident Personal Credit Limited gave him 'doorstep' loans which he could not afford. He complains that it lent to him irresponsibly.

## background

| Loan | Date | Amount (total to pay) | Weeks and instalment amount/week | Repaid | Amount carried forward | Early settlement rebate |
|---|---|---|---|---|---|---|
| 1 | 25 March 2011 | £200 (£310) | 31 x £10 | 31 August 2011 | £82 | £8 |
| 2 | 30 August 2011 | £400 (£620) | 31 x £20 | 4 January 2012 | £264 (rounded) | £36 (rounded) |
| 3 | 30 December 2011 – taken 4 January 2012 | £600 (£1,050) | 50 x £21 | 9 January 2015 | | |

Declared weekly income for Loan 1 was £326, for Loans 2 and 3 it was about £287.

One of our adjudicators looked at this complaint and thought that Provident should put things right for Loan 3. Provident has not responded, and we have not had any additional points or comments from Mr B.

It remained an unresolved complaint and was passed to me for a decision.

## my findings

I have considered all the available evidence and arguments to decide what I consider to be fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Provident needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Provident should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include: where a customer's income is particularly low; where the repayments are particularly high; and/or where the frequency of the loans and the length of time over which a customer has been given loans need to be looked at: repeated refinancing could signal that the borrowing had become, or was becoming, unsustainable.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Provident was required to establish whether Mr B could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

The loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The Office of Fair Trading Guide on Irresponsible Lending was available at the time Mr B's loans were approved. That Guide defined 'sustainable' as being the ability to repay without undue difficulties. In particular the customer should be able to make repayments on time, while meeting other reasonable commitments, and without having to borrow to meet the repayments.

And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr B's complaint.

As Mr B has not disagreed with our adjudicator's opinion then I take it from that Loans 1 and 2 are not disputed. So I plan to look at Loan 3 only in this decision.

By the time he took loan 3 Mr B had been Provident's customer for several months, and he had an erratic repayment record with large gaps between the weekly payments for Loans 1 and 2. I do see from the credit agreement details that Mr B's net declared weekly income had gone down since Loan 1 and yet his weekly repayments had doubled for Loan 2 and were due to increase again for Loan 3. Plus, the Loan 3 time period was extended to almost a year and had increased to 50 weeks from 31 weeks. So Mr B's indebtedness was going to be extended. And looking at the principal sums applied for these were increasing a lot – Loan 3 was for a sum three times the amount of Loan 1.

It appears that a large proportion of Loan 2 was effectively rolled into Loan 1 as the day Mr B took Loan 3, Loan 2 is shown as having been repaid with an early settlement charge. So the balance of the previous loan onto which the interest had been added at the beginning was now part of Loan 3 with further interest added on top.

So I think Provident should've realised that Mr B was finding it difficult to make the loan repayments sustainably and this was likely to continue going forward. Because of this I would have expected Provident to have carried out additional checks. I do not think it did that. If it had it would have realised that Mr B was in debt to other lenders and recently had been paying into a debt management plan.

All of these factors lead me to think that a responsible lender would not have approved Loan 3 for Mr B in December 2011. I uphold Mr B's complaint for Loan 3.

**putting things right – what Provident needs to do**

- refund all interest and charges Mr B paid on Loan 3;
- pay interest of 8% simple a year* on any refunded interest and charges from the date they were paid (if they were) to the date of settlement;

- remove any negative information about Loan 3 from Mr B's credit file;

* HM Revenue & Customs requires Provident to take off tax from this interest. It must give Mr B a certificate showing how much tax it's taken off if he asks for one.

**my final decision**

For the reasons given above, I am upholding Mr B's complaint in part. Provident Personal Credit Limited should do as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 December 2019.

Rachael Williams
**ombudsman**