

## **complaint**

Miss W complains Provident Personal Credit Limited irresponsibly lent her money she couldn't afford to repay. She wants the interest on the loans to be refunded.

## **background**

Miss W tells us she took out a loan with Provident and was only half way through repaying it when its agent told her she could have more credit. She said no check was made for the second loan - and she wasn't told the rate of interest. Miss W says the payments went up and she's been struggling ever since - having to borrow from family members and other loan companies in order to make the repayments.

Provident told us its agents had carried out various checks. This had included confirming employment details and income and expenditure. It said the customer details form had been completed at the time the loans were issued and showed Miss W had sufficient disposable income to make the repayments. It didn't think anything untoward had happened.

The investigator didn't recommend the complaint should be upheld. She said Provident had made checks and these had shown Miss W had sufficient disposable income to allow her to repay the loans. She didn't think there was any evidence Provident had done anything wrong.

Miss W didn't agree and said she was unaware of any assessments being carried out for the second loan. She wanted an ombudsman to make the final 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.

I'm sorry that Miss W has experienced financial difficulty. This is never an easy situation to deal with and I understand it can cause considerable distress and anxiety.

As it's been raised as a specific concern I need to explain our approach to complaints regarding affordability of loans. In brief, this involves a two-step process which we'd expect a lender to carry out. And it's necessary to understand that affordability is assessed at the time a loan is made - not on subsequent events.

Firstly checks should be made on income and expenditure. These checks need to be proportionate and sufficient having regard to issues including, but not limited to, the amount of the proposed loan. And we'd then expect a lender to assess whether the borrower was able to meet the repayments on a sustainable basis. It's important to remember there's no set list of checks - it's up to each individual lender to decide what information they need. So there's no specific requirement on a lender to look at details of such items as bank statements and/or credit files.

Miss W doesn't remember checks being carried out for her second loan and feels this led to her wrongly being granted further credit. So I've looked to see what Provident did check before granting either loan. And to assist in this I've also seen bank statements provided by Miss W.

I've found there were two separate income and expenditure checks carried out - in March and September 2016 - immediately before each loan was granted. I've compared the income and expenditure recorded to that which I've been able to see on Miss W's bank statements. The entries regarding income on both checks are in line with the information contained in the bank statements. And as some of the figures changed between the assessments that further confirms individual checks were made. And whilst there was evidence of some additional expenditure not included in the checks, given the level of disposable income this would not have materially altered the lending decision.

I've taken into account the amount of the respective loans which were for £500 and £750. And the amount of repayment was not higher than £26.25 per week. The amount of repayments and the period over which the loan was repayable was set out and so I can't say Miss W wasn't made aware of relevant information about interest.

After taking into account Miss W's declared expenditure her disposable income was calculated as being in excess of £200 per week. As she was in employment and had additional sources of income I think for these loan amounts the checks were sufficient and proportionate. It's always possible that more extensive checks might have revealed more information - but that is not what is required. Overall I think the checks were adequate.

As we are an evidence based service I have to make a decision on the information with which I've been provided. And this might not always reflect what an individual may feel or experience on a day to day basis. Miss W has referred to other evidence of financial difficulty including being on a debt management plan. But it's always open to an individual to provide a lender with additional information about other loans - particularly if they are aware the lender does not have this information and it may impact the lending decision.

Following the granting of the first loan the repayment history shows a satisfactory record of maintaining payments. So it wouldn't have been apparent from this if Miss W was experiencing difficulties. And it's not unusual for part of a later loan to be used to pay off an earlier loan. The additional payment was only £1.25 per week and based on the calculated level of disposable income this was well within the available limits. And for some months afterwards payments were maintained before difficulties became apparent.

I have to make my decision based on what Provident knew or ought reasonably to have known at the time the lending decisions were made. And it's not unreasonable for a lender to rely additionally on information provided by a customer.

I think - based on the information it had at the time the loans were made - Provident was entitled to consider the loans were affordable. And whilst in the case of the second loan subsequent problems with repayments did arise - I can only look at the merits of the decision at the time of granting the loan.

So whilst I know it will come as a disappointment to Miss W I've reached the same conclusion as the investigator that this complaint should not be upheld.

### **my final decision**

For the reasons given above my final decision is I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 23 December 2018.

Stephen D. Ross  
**ombudsman**