

complaint

Mr M has complained that the interest rate attached to a loan he took out with Provident Personal Credit Limited was not properly explained to him.

background

Mr M took out a loan with Provident in December 2013, for £800. While making the repayments, he became aware that the total amount he had to repay was significantly higher than the amount he had calculated, using what he believed to be the interest rate. He says he would not have taken out the loan had he been aware of the interest he would be paying.

Provident has explained that the interest has been calculated using the applicable APR. Mr M says this was never explained to him.

Our adjudicator recommended that the complaint should be upheld, as he considered that the terms of the loan had not been properly explained to Mr M. Further, he was concerned that Mr M had also taken out a number of previous loans with Provident, the terms of which had never been explained to him either. He felt that Mr M's personal circumstances had never been taken into account when Provident gave the loans. For these reasons, he recommended that Mr M be refunded the difference between the amount he would need to repay using the simple interest rate, and the amount using the APR. He also felt that compensation of £350 was appropriate, given the considerable distress Mr M had suffered.

Provident disagreed, as it considered there to be a lack of evidence to support the adjudicator's view that Mr M had not fully understood the terms of the loan. Accordingly, the complaint has been passed to me for my final decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

As set out by the adjudicator, section 2 of the OFT's guidance regarding irresponsible lending (OFT 1107), says that creditors must "*explain the key features of the credit agreement to enable the borrower to make an informed choice*". I therefore need to consider whether I think, on balance, that Mr M was made aware of the key features of the loan – specifically, the interest rate that would be applied.

It is clear to me, from Mr M's interactions with this service, that he is a more elderly consumer, has lapses of memory and can suffer confusion. For example, he is unsure how many loans he has taken out with Provident, although it seems there was a significant number. Nor does he recall whether he approached Provident, or whether it was the other way round. I am persuaded, on balance, that this should have been clear to Provident's agents when visiting Mr M's home. Accordingly, it should have taken special care to explain all of the key terms of the loan. I have seen no evidence that it did so. Further, it does not appear that Mr M was made aware that he actually had loans that were overlapping one another. Provident wants medical evidence to support this view, but I feel that is wholly unnecessary, as I am able to reach a finding on this point without the need for this. Indeed, I would not expect lenders to require medical evidence every time they lent to anyone, to assess whether the consumer was vulnerable, as this would be impractical and onerous.

As I am satisfied that Mr M was not made aware of the interest rate, and thought a simple rate was being applied, I agree with the adjudicator that he should be refunded the difference between the two. This is £124.

Further, I feel that the lack of an appropriate explanation of the loan to Mr M demonstrates a pattern of behaviour that persisted for a number of years. I feel this caused Mr M significant distress, and I am persuaded by his account of this to this service. For this reason, I consider compensation of £350 to be appropriate in the circumstances.

my final decision

For the reasons given above, it is my final decision to uphold this complaint. I require Provident Personal Credit Limited to:

- a) refund Mr M the sum of £124; and
- b) pay him £350 compensation for the distress caused.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 29 May 2015.

Elsbeth Wood
ombudsman