

complaint

Mrs and Mr W complained that four loans they took out with Provident Personal Credit Limited were unaffordable and unsuitable.

background*facts*

Mrs and Mr W took out a number of loans with Provident They have complained about the suitability of four of these, on the basis that they were unable to afford them.

They complained to this service when they were unhappy with Provident's response. Our adjudicator did not recommend that the complaint should be upheld. This was because Provident had sent up a repayment plan which he felt was appropriate.

my provisional decision

I disagreed with the adjudicator's recommendations, and was minded to uphold the complaint.

I looked at the details of the four loans, which are as follows:

date	loan (£)	weekly payment (£)	weekly disposable income (£)
October 2012	1,700	34	2
March 2013	1,400	28	7
April 2013	2,500	50	43
September 2013	2,500	50	53

I could not see how Provident possibly thought these repayments could be met, without Mrs and Mr W getting into an unsustainable cycle of debt. For example, how could they meet a weekly repayment of £34, with only £2 of disposable income?

I was also concerned that two loans for significant sums were granted only a month apart.

Based on this, it seemed clear to me that these loans were all unaffordable. The last two also suggested an unsustainable cycle of borrowing, which is not an appropriate use of short-term high-interest finance.

Accordingly, I was minded to require Provident to pay back all interest (and any fees and charges) on all four loans. It would not be fair to refund the principal sums (ie the original loan amounts), as Mrs and Mr W have had the benefit of the funds. However, Provident should arrange a mutually acceptable repayment plan for these - which will presumably mean extremely low weekly repayments, given the table setting out Mrs and Mr W's disposable income.

I felt that any reference to these four loans that may have been recorded on Mrs and Mr W's credit files should be removed, as none of them should have been granted in the first place.

I was also minded to award £200 compensation, as I was satisfied that this matter has caused Mrs and Mr W significant distress and inconvenience.

my findings

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

Mrs and Mr W agree with my provisional decision. Provident made no further submissions. In light of this, I see no reason to depart from my provisional decision.

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 all interest and charges for the four loans;
- b) if any repayments of interest, fees and charges have been made by Mrs and Mr W, then Provident must add 8% simple interest to each refund, from the date of each payment made by Mrs and Mr W, to the date of settlement;
- c) arrange a mutually acceptable repayment plan for the principal sums;
- d) pay £200 compensation for the distress and inconvenience caused; and
- e) remove any records of the four loans from Mrs and Mr W's credit files.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs and Mr W to accept or reject my decision before 24 August 2015.

Elspeth Wood
ombudsman