

## **complaint**

Miss R complains that Provident Personal Credit Limited gave her loans that were unaffordable.

## **background**

The background to this complaint and my provisional findings are set out in my provisional decision dated 11 July 2017 – a copy of which is attached and forms part of my final decision. In my provisional decision I explained what I'd decided about this complaint and what I intended to do – subject to any further submissions from the parties.

Provident accepts my provisional findings. It has asked me to note that it doesn't check bank statements as part of its lending process. It conducts a credit check to verify the customer and flag any significant risks and requests evidence of income as it considers that provides more reliable evidence.

Miss R accepts what I've said about all but the last loan. She says she was in arrears with other lenders and had priority debts at this point. She couldn't afford to pay back the £60 a week required – and she would never have agreed to the loan if she had been told that's how much she had to repay.

Miss R thinks it was wrong of the Provident agent to take money she got from her ex-partner into account – she says she was never comfortable with that being included. She says the agent knew her income was very limited but he never tried to dissuade her from borrowing.

Miss R asks me to look at the schedule of payments she made as she thinks it's clear from that she wasn't able to meet the repayments due on earlier loans on time and used new loans to pay off existing ones.

## **my findings**

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

I thank both parties for their responses. I want to assure Miss R in particular that I have considered what she has said carefully. I think I've addressed the points she makes in her response already in my provisional decision. And Miss R hasn't supplied any additional evidence or information which persuades me that it was irresponsible of Provident to provide these loans. So, whilst I am sorry to disappoint Miss R, I remain of the view that it would not be fair or reasonable for me to uphold this complaint.

It looks as if Provident agreed to accept reduced payments from Miss R last year. If Miss R is still struggling financially she may wish to contact a free source of money advice for some help - our adjudicator can provide more information about that if Miss R needs it. I remind Provident of its ongoing obligation to treat customers who are experiencing financial difficulties positively and sympathetically.

## **my final decision**

For the reasons I've given, my decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 15 September 2017.

Claire Jackson  
**ombudsman**

## **copy provisional decision**

### **complaint**

Miss R complains that Provident Personal Credit Limited gave her loans that were unaffordable.

### **background**

Miss R borrowed money from Provident during 2015 and 2016. She says

- Provident was irresponsible to lend her money she couldn't afford to pay back;
- she was heavily in debt at the time – and Provident would have known that if it had done proper checks;
- the agent pressured her to take on more loans and filled out applications so the loans looked affordable;
- interest and repayment amounts weren't explained properly;
- the agent harassed her for payment by phoning, texting and shouting through her door; and
- Provident ignored correspondence and didn't investigate her complaint properly

Miss R would like Provident to give her a refund plus interest and rectify her credit file.

Provident says it checked Miss R's income and expenditure each time before lending. Repayments looked affordable and Miss R made 52 out of the 57 payments due – suggesting she was able to manage her repayments without too much difficulty. Provident thinks there may have been a change in Miss R's circumstances after she took out the last loan which caused her to have repayment problems. And it responded with forbearance then by agreeing to accept reduced payments.

Provident denies any harassment. It says Miss R didn't mention this when she first complained in September 2016. And the local agent stopped calling around that time so he couldn't have harassed Miss R after that.

Our adjudicator thinks Provident did enough checks before providing the first three loans and they looked affordable. But, she notes the third loan was provided before the second was paid off. And Miss R borrowed more money less than two months later - meaning her repayments increased then to nearly £40 a week. Provident's records say Miss R had employment income of over £1,000 at this time but our adjudicator can't see that she was being paid that much. So she not satisfied that Miss R had as much income as Provident says – or enough disposable income to afford the last three loans. And our adjudicator recommends the complaint should be upheld and Provident should provide a refund.

Provident says

- it carried out proportionate checks for loans of between £200 and £1,000;
- it was entitled to rely on the information Miss R provided about her finances; and
- records show payslips and other documents were checked to evidence Miss R's income.

Provident considers these loans looked affordable - so it didn't have to ask to see bank statements or do any additional checks. And it shouldn't have to provide a refund now.

### **my findings**

I've considered all the evidence and arguments available so far to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

*financial difficulties, complaint handling and harassment*

Miss R complained to Provident not long after she took out the last loan. She told Provident she thought these loans shouldn't have been provided because she didn't have enough spare money to make repayments.

I can see Miss R also asked for a payment card at this point, so the agent wouldn't have to call again. Provident has provided its contact notes and I think these seem credible and consistent with events. I'm satisfied the agent was instructed not to call and a manager took over the administration of Miss R's account. That manager says she spoke to Miss R about the matter and Miss R made no mention of harassment or any misconduct by the local agent at that stage. The manager thought it sounded as if Miss R didn't want the local agent to call again because she was embarrassed about making the complaint.

I'm satisfied Provident agreed to reduce the amount Miss R had to repay for a time. When that didn't work out, the manager seems to have made several attempts to contact Miss R over the next few months. These included phone calls and correspondence. I don't think the number of calls looks excessive and the times they were made don't seem unreasonable or anti-social. And Provident says any notes delivered by hand were placed in a sealed envelope - so any third party seeing it would be unaware of the content and the arrears situation.

I understand Miss R was having a difficult time at this point. I'm sure that must have been very stressful and upsetting for her. But, taking everything I've seen so far into account, I don't think there's enough evidence here for me to safely find that Provident harassed Miss R, failed to provide forbearance or handled her complaint badly.

*irresponsible lending*

Miss R got six loans from Provident as follows

1. August 2015 £200 - repay £280 over 14 weeks at £20 a week
2. November 2015 £300 - repay about £450 over 23 weeks at nearly £20 a week
3. January 2016 £400 - repay over £700 at £14 a week over 52 weeks
4. March 2016 £500 - repay about £800 at £25 a week over 32 weeks
5. September 2016 £1,000 - repay about £1,820 at £35 a week over 52 weeks
6. September 2016 £200 - repay about £350 at £7a week over 52 weeks.

Provident has supplied copies of each loan agreement as well as a script that sets out what the agent is supposed to say before lending and pre-contract credit information given to each borrower.

There seems to be no dispute that Miss R signed each loan agreement to say she understood the terms. I think the amount she was borrowing and how much she would have to repay are stated clearly on the front of the agreement. And I consider the weekly repayment rate, loan duration, flat rate of interest and APR are also clearly displayed. So I'm satisfied it's unlikely Miss R could reasonably have been misled about the terms of each of the loans she took out.

Provident was required to carry out reasonable and proportionate checks to ensure that Miss R would probably be able to repay this money in a sustainable way – out of her existing income or savings and without getting into financial trouble. It wasn't required to look at Miss R's credit file or bank statements or do any one check in particular – what's appropriate will depend on individual circumstances.

Provident has described its lending process in some detail. I accept these weren't payday loans and the loans are set up so that interest and charges don't increase even if a borrower doesn't pay on time. I'm satisfied, from the evidence I've seen, that Provident considered Miss R's credit status,

looked at her repayment history and asked Miss R about how much money she had coming in and going out of her household at the relevant times in some detail.

Our adjudicator is satisfied those checks seem reasonable and proportionate for the first three loans. She thinks those loans looked affordable - and I agree. Our adjudicator considers Provident should however have had some concerns when Miss R asked for her fourth loan given the pattern of borrowing that seemed to be emerging - Miss R hadn't paid off her second loan before she took out the third and her weekly repayment amount was increasing.

I don't think taking out two loans at the same time should necessarily be a red flag to a lender, in this sort of situation. I'm not persuaded that Miss R's borrowing, up to this point, looked alarming. And I consider the disposable income she declared when she applied for loan 4 suggested the repayments were likely to be affordable. So I'm not persuaded Provident had cause for concern or should necessarily have done any additional checks at this stage.

I appreciate Miss R says the information on her application is wrong - she wasn't working at the time and the agent reduced her outgoings so she would be allowed to borrow more than she could afford. Miss R has suggested her utilities and some other expenses were probably about twice as much as the amounts declared - and she considers Provident would have realised that if it had done some more reasonable checks.

The agent denies tampering with the figures Miss R submitted. I wasn't there at the time so it's impossible for me to be certain what happened. I note Provident says these applications were submitted via an app which makes it impossible for either the agent or the borrower to manipulate income and expense figures so as to have a loan approved.

I have spoken to Miss R and she has confirmed the loans were applied for in this way - and she approved the figures in her applications. I think Miss R accepts it was her responsibility to ensure the information she provided was correct.

Miss R has explained she was in difficult circumstances financially at the time - and I have sympathy for the situation she found herself in. But, for me to uphold this complaint, I have to be satisfied Provident did something wrong. On the evidence I currently have, I am not persuaded Provident should reasonably have done more checks before it gave Miss R her fourth loan and I'm not minded to find Provident was irresponsible to provide it.

Miss R applied for loans 5 and 6 about six months later. I think this was a relatively substantial increase on her usual level of borrowing - Miss R's weekly repayments went up to about £60 a week. I note Miss R still had two outstanding loans. And I think the agent had some concerns - because he suggested she should apply for a lower amount or pay off her existing debts. So I consider it would have been reasonable for Provident to take a closer look at Miss R's finances before agreeing to such a significant increase in lending.

The fact that I'm minded to find Provident didn't carry out appropriate checks doesn't mean I can simply uphold this complaint. In order to do that, I must be satisfied that the business is unlikely to have lent Miss R this money if it had carried out more checks.

I accept industry guidance doesn't require a lender to do any checks in particular in these circumstances. But, I don't think it would have been too difficult or disproportionate for Provident to seek some verification of the figures Miss R declared in her last two applications. It could have looked at her bank statements or her full credit file, for example, to get a better picture of Miss R's financial situation.

When she applied for those two loans Miss R told Provident she had income of over £2,000 and outgoings about £500 less than that. I have considered Miss R's credit file and bank statements for a few months beforehand. I don't think it looks as if she was heavily in debt or over-committed. And I'm not persuaded the disposable income she declared to Provident looks excessive.

I accept there are some discrepancies in the expenditure Miss R told Provident about. But, of the declared payments I've seen evidenced in Miss R's statements, most seem similar to the figures on her loan applications. It looks as if Miss R may not have told Provident about some of her regular expenses. But, even if I take those amounts into account, I think her income still suggests the loans were affordable.

Miss R told Provident that her ex-partner contributed £250 a week into the household. She has told me that he wasn't actually contributing this amount – she just included it, at the agent's suggestion, in order to get the loan. But, I can see several payments from Miss R's ex-partner in her bank statements. And I can't fairly find Provident, even if it had done additional checks, should reasonably have known Miss R didn't have the income she said she did.

Miss R has explained that the credits from her ex-partner were loans so she had to repay this money. I can see there are some related debits and I don't doubt what she says. But I can't fairly find Provident would necessarily have realised that at the relevant time. Miss R has told me she was desperate when she got these loans. And, looking at the steps she took in order to do so, I think she may well have tried to borrow the money elsewhere even if Provident had refused her applications.

Taking all of the evidence I've seen so far into account, I am not persuaded (on balance) that there are enough grounds here for me to reasonably conclude that it was irresponsible of Provident to lend Miss R this money. And I can't fairly find that that Provident harassed Miss R or failed to respond positively and sympathetically when she had difficulty with repayments. So I don't think would be fair or reasonable to require Provident to make a refund or do anything further in response to this complaint.

I realise Miss R is likely to be disappointed with my provisional conclusions. But, these are just provisional findings - based on the evidence I've seen to date. I invite both parties to think about what I have said and let me have their comments and any further evidence they would like me to take into account by 11 August 2017. After that I will reconsider all of the evidence and make my final decision.

#### **my provisional decision**

For the reasons I've set out above, and subject to any further submissions that I may receive from Miss R or Provident by 11 August 2017, my provisional decision is I do not intend to uphold this complaint.