

complaint

Mr N complains that Provident Personal Credit Limited (Provident) irresponsibly lent to him.

background

Mr N says that Provident shouldn't have lent to him when they did because he had 14 defaults to his name totalling £80,000 at the time; his current account was regularly overdrawn, and at it's limit, and he had several pay day loans. He says they should have checked his credit report and they didn't verify his income. And he also says they were wrong to regularly offer him loans to clear loans he already had with them. As a result he says the interest that's accumulated on his account has led to him experiencing financial difficulties.

Provident said that they noticed Mr N had ten loans with them and only two of them were issued when he had other loans so they didn't agree he'd been provided with loans upon loans. They said their records showed that Mr N regularly cleared his loans well within their term so there was no evidence of a poor payment history on his accounts with them. And they noted that Mr N had provided his own income and expenditure information and that was consistent for each credit application that he made so it would not have raised any concerns.

Provident explained that to establish whether a consumer was creditworthy they would use a mathematics based system to create a customer specific risk score. They explained that this system considered information such as the consumer's marital status, employment type and residential status, alongside information from credit bureaus and the consumer's previous performance on accounts with themselves. They said that this was the primary decision tool used in Mr N's case and they were therefore satisfied that they had not lent irresponsibly.

They also explained that from 2015 they had been using a new app which validated the information that consumers gave them about their expenditure by comparing it to norms for people in similar circumstances. They explained that if this system identified inconsistencies it would not allow the agent to proceed with the application.

Our investigator noted that Provident tend to lend to people with low credit scores who are less likely to be able to secure a loan than others. He said that this was a commercial decision that Provident were entitled to take and when he looked at the income and expenditure statements provided by Mr N he noted that he appeared to have enough disposable income to be able to afford the loans. He took on board that Mr N had said the agent filled this information in and he'd simply signed the forms. But he thought it was Mr N's responsibility to ensure the information he provided was accurate as it was information that Provident would rely upon to make their lending decisions. He said he'd checked the account history and could not see any missed payments and he noted that Mr N had not informed Provident that he was in any financial difficulty so he didn't think Provident had lent money irresponsibly or needed to take any further action.

But Mr N disagreed. He thought Provident should have verified his income and expenditure and he could not understand why in December they provided four separate loans instead of one for the whole sum.

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 know it will disappoint Mr N but I agree with the investigator's view. Please let me explain why.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Before agreeing to provide a loan a business should check that the loan is affordable. The type of checks which a business should carry out should be proportionate, so (for instance) a mortgage lender will ask for bank statements and payslips, but a catalogue offering a low credit limit doesn't have to go into so much detail.

In considering this complaint, I've looked at whether Provident carried out proportionate checks, and at what information they had been given about Mr N's financial circumstances. The methods Provident used to establish affordability were for them to decide but the practices and procedures they used had to be effective. And the depth of their analysis could be proportionate to the amount of money being requested.

Mr N was provided with ten loans between August 2013 and the end of August 2015. The loans ranged from £300 to £1,500 so they were comparatively small loans and I would not expect Provident to apply extremely stringent analysis when authorising them – their analysis could be proportionate.

Provident have provided the information that they used when they established the loan and I can see that they relied on the information Mr N had provided about his income and expenditure. I agree with the investigator that Mr N had a responsibility to provide accurate information but I don't think it was essential for Provident to check this information. They explained that they used other methods to establish Mr N's credit worthiness and I think these were reasonable. And I see that Mr N's largest loan with them was approved after they introduced their lending app so Provident would have checked the expenditure, Mr N said he had, was sensible at that point.

Provident noted that Mr N's payment history was very good with them and that his reporting of income and expenditure was consistent and suggested he had sufficient disposable income. So I think there was nothing to imply Mr N was not creditworthy for the relatively low level of lending he was applying for.

Provident would not have expected Mr N's credit file to be very strong as they routinely lend to people with poorer credit scores and therefore take higher risks and inevitably charge higher interest rates to cover this. They have explained that they use their own processes to establish a customer specific risk score. It's for them to establish the methods that they use to check creditworthiness and I think that the processes they have explained seem reasonable and proportionate to the amount of credit Mr N was seeking to lend.

Mr N has asked why they approved four loans in December 2015 instead of one larger loan for the whole sum. I don't think this gives any cause for concern and don't think there would necessarily have been an enhanced requirement for them to check creditworthiness if the loans were merged. And I see that the interest rates on all of these loans were the same so, whilst it seems an unusual decision to split these loans, I don't think it suggests the lending was irresponsible.

Overall I've not seen evidence that suggests Provident lent irresponsibly to Mr N and I therefore won't be asking them to take any further action.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 19 April 2018.

Phil McMahon
ombudsman