

complaint

Miss C complains about the interest rate on her loan agreed with Provident Personal Credit Limited and says she couldn't afford the repayments.

background

Provident agreed to lend Miss C £500 in 2014. This was to repay the balance on her outstanding loan with it, agreed in 2012, of £137.50 and to provide her with additional money for household goods. The loan was repayable in weekly instalments. Miss C did not keep up with the repayments and after 30 weeks the outstanding balance was referred to the lender's collection department.

The adjudicator recommended that the complaint should be upheld. She concluded that at the time of the loan Miss C was struggling financially and that, if enough checks had been carried out, the loan would not have been approved. She considered the remaining balance outstanding should be written off.

Provident responded to say, in summary, that:

1. The income and expenditure information provided by Miss C showed she had a weekly disposable income of £140.
2. Repayments for the previous loan were for varying amounts, but were paid regularly.
3. Miss C could have exercised her rights to cancel the loan if she thought it was unaffordable.
4. If the outstanding loan balance is written off, the capital sum lent will not have been repaid.

my findings

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

I accept that Miss C agreed the income and expenditure figures recorded on the loan agreement, which shows she had a weekly surplus of £140. But, if this was accurate, I am surprised the agent did not question why Miss C had not managed to meet the existing weekly loan repayments of £13.50. And, it seems to me, that if she had over £100 available to spend every week (after all her other outgoings), she would not have needed to borrow around £360 for household goods. I don't think that the income and expenditure figures were accurate and Provident's agent should have done more to check them.

Miss C did not make the required repayments on the 2012 loan of £13.50 each week. But I can see that she made variable payments – presumably as much as she could afford - generally every two to three weeks, but sometimes as long as six weeks apart. After the term of the loan, 52 weeks, there was a balance outstanding of £137.50. Bearing in mind the irregularity of her payments, I think the agent should have questioned her ability to meet the higher weekly payments of £17.50 due under the new loan. And I find that it was more likely than not that she could not have met the new loan's repayments.

The loan did include cancellation rights. But it was Provident's obligation to carry out enough checks to make sure the loan was affordable and it did not do this.

Miss C has had the benefit of the money loaned and it is fair that she repays the capital amount lent.

my final decision

My final decision is that Provident Personal Credit Limited should:

1. Recalculate how much Miss C owes on the loan of £500, with no interest or charges being levied, and agree a realistic repayment plan with Miss C.
2. Remove any adverse information it has recorded with the credit reference agencies.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss C to accept or reject my decision before 20 April 2015.

Elizabeth Dawes
ombudsman