

## complaint

Miss D complains Provident Personal Credit Limited didn't carry out proper affordability checks and irresponsibly granted her unaffordable loans. She says she had no disposable income, was in a cycle of debt and the loans worsened her position. She wants the charges and interest refunded and her credit file amended.

## background

Provident provides home credit. It said in its final response that Miss D had three loans. One on 6 October 2012 and two on 2 March 2013. It says when issuing credit its agents would make an assessment of a customer's circumstances and take personal details and information. This included documenting income and expenditure and the ability to meet the repayments. Miss D's loan agreements were completed correctly. The agreements were maintained for 31 weeks until arrears accrued. No additional interest or charges were applied to the account. It was transferred to collections and later sold to a third party.

Our adjudicator felt this complaint shouldn't be upheld. She said:

- Provident asked for brief details of Miss D's income and expenditure for all applications. But this wasn't a detailed breakdown. And it took the information given in good faith.
- The checks Provident completed on the first loan were proportionate to its amount of £500. From what Miss D said it believed the lending was affordable. Provident didn't make a mistake granting the first loan.
- But on receipt of the applications for the next two loans Provident should've asked more questions to assess their affordability. They totalled £1,500 - three times the amount of the first loan. Although weekly payments didn't change significantly the brief income and expenditure information and previous repayment history wasn't enough to determine her ability to afford them.
- Miss D also said she paid rent but then said her regular outgoings were only £30 a week. There were likely to be other expenses. This should've raised alarm bells for Provident and prompted it to have asked more questions. Miss D says she didn't give full details of her expenditure as she was desperate for the money to pay her priority bills.
- If Provident had asked more questions or, for example, seen her bank statements and credit file it would've seen she had at that time a number of other creditors and was regularly using payday loans providers. She was becoming reliant on payday loans. If it'd done more it wouldn't have lent £1,500 to her in March 2013.
- So, if Miss D has paid more than £1,500 towards these two loans it should refund the difference to her plus interest. It should also remove any adverse information about these two loans from her credit file.

In summary Provident says that when further credit was applied for it wouldn't have carried out further checks given the amount being applied for. It doesn't request bank statements and isn't required to do so. Miss D didn't declare all her outgoings and other loan repayments. The loans were affordable. The payments hadn't changed.

## **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 agree with the adjudicator's conclusions for the same reasons.

The type of checks carried out for a doorstep loan wouldn't be the same as those for a payday loan as the whole amount doesn't have to be repaid the following month.

Even so, I agree with the adjudicator that it would've been reasonable for Provident to have asked more questions and carried out further checks when Miss D applied for two loans totalling £1,500 at the same time in March 2013. If it'd done so, I think it would've most likely refused to lend them. I don't think Provident has shown it carried out proportionate checks on these two loans, that they were affordable or that its lending was responsible.

Nevertheless Miss D has had the benefit of the money she borrowed on the 2 March 2013. So, it's fair she should have to repay this sum, if she hasn't already done so. But her liability for these two loans should be limited to repaying the amount she borrowed of £1,500. She shouldn't be liable for any interest or charges applied on these two loans by either Provident or the third party.

It appears Miss D's account has been sold by Provident to a third party. If so, and if Miss D accepts my final decision, Provident may have to reacquire the account to provide the redress I've recommended.

## **my final decision**

I uphold this complaint and I require Provident Personal Credit Limited:

1. If necessary to reacquire Miss D's account from the third party;
2. To limit Miss D's liability under the two loans of 2 March 2013 to the sum she borrowed of £1,500. And if Miss D has paid more than £1,500 towards them to refund the difference and excess amount to her plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
3. To remove any adverse information about these two loans from Miss D's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 20 October 2016.

Stephen Cooper  
**ombudsman**