

## **The complaint**

Miss M complains that PDL Finance Limited, trading as Mr Lender (“Mr Lender”), lent to her irresponsibly.

## **What happened**

Miss M was advanced one loan of £200 on 22 April 2023. Miss M was due to make six monthly payments of varying amounts, with the largest monthly repayment being £74.56 and the smallest being £40.62. Miss M has had some problems repaying this loan and an outstanding balance remains due.

Mr Lender issued its final response letter on 5 June 2023, and it explained that it thought it was reasonable to have relied on the information given to it by Miss M. Mr Lender also explained that it had carried out proportionate affordability checks so it did not think that it did anything wrong in lending to Miss M. It also confirmed that at this time Miss M was repaying the loan through a repayment plan.

Unhappy with this response, Miss M then referred his complaint to the Financial Ombudsman.

One of our investigators looked at the complaint and issued his view explaining why he wasn’t going to uphold Miss M’s complaint. He thought the checks Mr Lender carried out showed that Miss M would likely be able to afford her repayments.

Miss M didn’t agree with the investigator’s assessment, saying Mr Lender hadn’t conducted a credit search before lending and she went onto explain she had significant debts that she is struggling to manage.

The investigator explained why these comments hadn’t changed his mind and as no agreement could be reached, the case has been passed to me for a decision.

## **What I’ve decided – and why**

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

Mr Lender had to assess the lending to check if Miss M could afford to pay back the amount she’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances.

Mr Lender’s checks could’ve taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss M’s income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Mr Lender should have done more to establish that any lending was sustainable for Miss M. These factors include:

- Miss M having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Miss M having a large number of loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Miss M coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Miss M. But I don't consider that this applied to Miss M's circumstances given only one loan was advanced.

Mr Lender was required to establish whether Miss M could sustainably repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss M was able to repay her loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss M's complaint. Having considered everything that Mr Lender did before it lent this loan – along with the comments Miss M has provided, I am satisfied that a proportionate check was carried out by Mr Lender which showed it, that Miss M would likely be able to afford the repayments, and I've explained my reasoning below.

For this loan, Mr Lender asked Miss M to declare her income and expenditure and it also carried out a credit search with one of the three credit reference agencies. Miss M declared her net monthly income was £1,900 a month and Mr Lender says this was checked using a tool provided by a credit reference agency.

Miss M says that her income wasn't as high as Mr Lender was told and she can provide a payslip to show this. In some situations, it is appropriate for a lender to verify the income declared by a loan applicant. But I don't think that would've been proportionate in this complaint, given it was the first loan and Mr Lender could've solely relied on what it was told, but it took additional steps to check the income via the tool I mentioned above, and I consider that to be reasonable.

Miss M was asked to declare monthly outgoings across a number of different categories including mortgage / rent, credit commitments, utilities and travel to name a few.

My understanding of Mr Lender's lending practices means it is likely that it used information it received from the credit report and data from the Office of National Statistics (ONS). Mr Lender hasn't said whether it carried out these further checks as part of its affordability assessment. But whether it did or didn't compare what Miss M declared against the ONS data, or her credit file, doesn't change my mind about the complaint because it was proportionate to either accept what Miss M was saying or to have done the extra checks.

What I can say, is that for the affordability assessment Mr Lender used a monthly outgoing figure of £1,368. Based solely on the income and expenditure information Mr Lender gathered, Miss M had potentially enough disposable income to afford the largest repayment for the loan.

I accept that Miss M's actual circumstances may not have been fully reflected in the information Mr Lender obtained at the time the loan was granted. But Mr Lender could only make reasonable decisions based on the information it had available and I am satisfied that it did.

Before the loan was approved Mr Lender also carried out a credit search and it has provided the Financial Ombudsman with a summary of the results it received from the credit reference agency. I want to add that although Mr Lender carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

This can mean that the results a lender may see could be different to the information that a consumer may be able to view in the credit report they can download from any of the credit reference agencies.

If information was given to Mr Lender which indicated that Miss M was either in financial difficulties or couldn't afford the loan, then I would expect it to react to that and possibly take a different course of action. However, if the credit check results didn't show that Miss M had on-going repayment problems – as she has stated she did, I wouldn't at this early point in the lending relationship have expected Mr Lender to have known about them.

Having looked at the credit results summary Mr Lender has provided, there wasn't anything in my view, that would've led it to have carried out further checks. It knew Miss M wasn't insolvent either through an Individual Voluntary Arrangement, bankruptcy or had a County Court Judgement within the three years preceding the loan.

It was also told that Miss M didn't have any outstanding "AA" – which means advanced against income which is another name for a payday loan. So superficially, the information Mr Lender received suggested that Miss M wasn't reliant on other payday loans.

Miss M has also said that at this time she had problems managing her wider finances, but she hadn't told Mr Lender this and I wouldn't have expected Mr Lender to have assumed that she was having problems managing her money either. Importantly, these wider issues weren't reflected in the information Mr Lender gathered.

Overall, it was reasonable for Mr Lender to have relied on the information that Miss M provided about her income (which was cross referenced) and expenditure as well as the credit check results that it received. The checks showed that Miss M should be able to afford the repayments. There also wasn't anything else to suggest the loan would either be unaffordable or unsustainable for her.

I am therefore not upholding Miss M's complaint.

### **My final decision**

For the reasons I've outlined above, I am not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 10 January 2024.

Robert Walker  
**Ombudsman**