

Complaint

Miss M is unhappy PDL Finance Limited (trading as “Mr Lender”) provided her with a high-cost short-term credit instalment loan. She says she doesn’t think that her finances and personal situation were sufficiently checked to ensure that she could make her payments.

Background

This complaint centres around the provision of a high-cost short-term credit instalment loan for £300, which Mr Lender provided to Miss M in April 2020. The loan was to be paid in four monthly instalments, with the amount of the highest instalment being around £150.

One of our investigators looked at Miss M’s complaint and she didn’t think that Mr Lender had done anything wrong or treated her unfairly. So she didn’t recommend the complaint be upheld.

Miss M disagreed and asked for an ombudsman to look at her case.

My findings

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

We’ve set out our general approach to complaints about short-term lending - including the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Miss M’s case.

Having carefully considered everything, I’m not upholding Miss M’s complaint. I’d like to explain the reasons for my decision in a bit more detail.

Mr Lender needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Mr Lender needed to carry out proportionate checks to be able to understand whether Miss M could afford to make the monthly repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Mr Lender provided Miss M with a single loan which was due to be repaid in four monthly instalments. As I understand it, Mr Lender asked Miss M to confirm her monthly income and expenditure. And Mr Lender says that the information gathered suggested that the loan repayments were affordable.

Miss M says the information Mr Lender based its decision on didn't accurately reflect her actual financial position. But I have to think about what Miss M has said in the context of this being an application for first loan involving a relatively small amount. And, in these circumstances, I don't think that it would have been proportionate for Mr Lender to have carried out the degree of verification Miss M has suggested.

For a loan of this amount and with monthly repayments of this amount, I wouldn't have expected Mr Lender to do much more than simply ask Miss M about her income and expenditure. And I wouldn't have expected it to have asked Miss M to provide supporting evidence, such as bank statements, before providing a first loan for this amount.

So, while I'm sorry to hear that Miss M has had difficulty repaying this loan, I don't think it would have been reasonable or proportionate for Mr Lender to have requested the information that would have shown why Miss M might have had difficulties repaying this loan. And bearing in mind the circumstances here, I think that Mr Lender was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable.

As this is the case, I don't think that Mr Lender did anything wrong when deciding to lend to Miss M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Mr Lender treated Miss M unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss M's complaint. I appreciate this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm 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 18 December 2023.

Jeshen Narayanan
Ombudsman