

The complaint

Mr P complains that PDL Finance Limited, trading as Mr Lender (“Mr Lender”), lent to him irresponsibly. Mr P says at the time he had several other loans outstanding which means that he could not afford the loan Mr Lender granted him.

What happened

Mr P was advanced one loan of £300 on 12 February 2020. He was due to make six monthly payments of varying amounts, with the largest monthly repayment being £112 and the smallest being £62.40. Mr P had some problems repaying the loan, but he eventually did so through a repayment plan on 8 January 2021.

Mr Lender issued its final response letter and it explained that its checks showed the loan was affordable. The complaint wasn’t upheld. Unhappy with this response, Mr P then referred his complaint to the Financial Ombudsman.

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

Mr P didn’t agree with the investigator’s assessment saying that he has had other cases – (with loans issued around the same time as this Mr Lender loan) reviewed and these have been upheld in his favour.

As no agreement could be reached the complaint 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 Mr P could afford to pay back the amount he’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 Mr P’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 Mr P. These factors include:

- Mr P 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);
- Mr P 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);
- Mr P 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 Mr P. But I don't consider that this applied to Mr P's circumstances given only one loan was advanced.

Mr Lender was required to establish whether Mr P could sustainably repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr P was able to repay his loans 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 Mr P's complaint.

Firstly, I am sorry to hear about the impact Mr P's financial situation had on him and its clear from what he has told the Financial Ombudsman that he had a difficult time. I do hope things have improved for him.

Having considered everything that Mr Lender did before it lent this loan – along with the comments Mr P has provided, I am satisfied that a proportionate check was carried out by Mr Lender which showed it, that Mr P would likely be able to afford his repayments. I've explained my reasoning below.

Mr Lender asked Mr P to declare his income and expenditure and it also carried out a credit search. Mr P declared that his net monthly income was £1,308. Mr Lender says this income was checked through open banking – the results of this check haven't been provided. But having looked at Mr P's bank statement this income appears accurate, so for a first loan – where a modest amount was lent, I think it was reasonable for Mr Lender to have used this income figure for its affordability assessment.

Mr P was then 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 Mr P declared against the ONS data, or his credit file, doesn't change my mind about the complaint because it was proportionate to either accept what Mr P was saying or to have done the extra checks.

What I can say, is that for the affordability assessment Mr Lender used monthly outgoings of £776. Based solely on the income and expenditure information Mr Lender gathered Mr P had potentially enough disposable income to afford the largest repayment for the loan.

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 a credit reference agency.

However, if information was given to Mr Lender which indicated that Mr P 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.

Having looked at the credit results summary, there wasn't anything in my view, that would've led Mr Lender to have carried out further checks. It knew Mr P 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 Mr P didn't have any outstanding "AAI" – which means advanced against income which is another name for a payday loan. So, the information Mr Lender received suggested that Mr P wasn't reliant on payday loans at the time. The information, Mr Lender collected from Mr P as part of his affordability assessment also didn't suggest that he was reliant on other loans.

Mr P provided some further submissions that he was borrowing from other loan companies at the same time as he was taking this Mr Lender loan. Mr P has also said he has successfully raised complaints about them. While that may be the case, I have to consider what has happened in the individual circumstances of this case and having done that I am still concluding that proportionate checks were conducted.

My role is to assess a case on the individual circumstances and facts, so there may be occasions where cases which appear to have similar circumstances can lead to different outcomes. In the circumstances of this complaint, I am satisfied given this was a first loan for a modest sum along with the results of Mr Lender's checks that it was not inappropriate based on the information for Mr Lender to advance this loan.

Overall, it was reasonable for Mr Lender to have relied on the information Mr P provided about his income and expenditure as well as the credit check results that Mr Lender received. The checks Mr Lender carried out were proportionate and showed that Mr P should be able to afford the repayments and there wasn't anything else to suggest the loan would either be unaffordable or unsustainable for him.

I am therefore not upholding Mr P's complaint.

My final decision

For the reasons I've outlined above, I am not upholding Mr P's complaint.

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

Robert Walker
Ombudsman