

## The complaint

Mr W complains PDL Finance Limited trading as Mr Lender ("Mr Lender") gave loans he couldn't afford to repay.

## What happened

Mr W was advanced five loans from Mr Lender and a summary of his borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment per loan
1	£200.00	06/08/2013	30/09/2013	1	£270.00
2	£550.00	30/09/2013	20/12/2013	1	£715.00
gap in lending					
3	£250.00	28/07/2018	14/12/2018	3	£123.33
4	£550.00	14/12/2018	05/04/2029	6	£214.86
5	£1,500.00	05/04/2019	sold	12	£314.00

Mr Lender only has the information contained within the above table about loans one and two. So, it doesn't for example have the income and expenditure information it likely collected from Mr W at the time.

For loans 3 – 5 the loans were structured so that each payment decreased in value through the life of the loan.

Following Mr W's complaint, Mr Lender wrote to him to explain why it wasn't going to uphold it. However, it made a gesture of goodwill offer to remove unpaid interest from the balance of the final loan and then once that was repaid it would remove each loan from Mr W's credit file. Unhappy with this response, Mr W referred the complaint to the Financial Ombudsman.

An adjudicator then considered the complaint. She said Mr Lender made a reasonable decision to provide loans one, three and four. However, for loans two and five given the increase borrowed amount and the amount Mr W would need to repay. She thought Mr Lender ought to have done further checks, but without copies of Mr W's bank statements, wage slips or any other evidence of his circumstances at the time she couldn't uphold his complaint. She therefore felt the gesture of goodwill offer was fair.

Mr W didn't agree and said he couldn't provide bank statements as the account he used at the time was closed. Later on, he provided a screen shot of the front page of his credit report from February 2018 which does show a poor credit score.

The adjudicator explained to Mr W why this screen shot didn't change her mind about the complaint. Mr W didn't agree and as no agreement has been reached, the case has been passed to me to resolve.

## **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.

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website. And I've used that to help me decide this complaint.

Mr Lender had to assess the lending to check if Mr W could afford to pay back the amounts he'd borrowed, plus the interest due, 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 W's income and expenditure.

With this in mind, 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 W. These factors include:

- Mr W 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 W having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr W 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 W. The adjudicator didn't think this applied to Mr W's complaint.

Mr Lender was required to establish whether Mr W could *sustainably* repay the loans – 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 W 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 W's complaint.

## **Loans one and two**

I understand that when these loans were granted it was Mr Lender's usual process to ask a customer for details of their income and expenditure. However, due to the passage of time Mr Lender isn't able to provide details of the information it collected about Mr W. And Mr W hasn't also been able to provide details of employment or outgoings perhaps through his bank statements.

So even though, there was a large increase in borrowing for loan two which perhaps ought to have facilitated further checks by Mr Lender, I am not in a position to say what those further checks may have shown.

I do not uphold Mr W's complaint about these loans.

### **Loans three – five**

There was a significant break in borrowing between Mr W repaying loan two and returning for loan three. Which for the purposes of this complaint Mr Lender could treat his applications afresh and as if he were a new customer.

For all of these loans Mr Lender carried out the same sort of checks. It asked Mr W to declare his income and expenditure details and it also carried out a credit search.

Having thought about these checks I'm satisfied for loans three and four the checks were proportionate, and the checks showed the loans to be affordable. I've explained why below.

Mr W declared his income for all the loans to be £1,200 per month – as these were the first loans in a new chain it was reasonable for Mr Lender to have relied on what it was told.

Mr W declared monthly outgoings of between £357 at loan three and up to £510 for loan five and so based solely on the income and expenditure information Mr Lender gathered Mr W had enough disposable income to afford the loan repayments.

Before the loans were approved Mr Lender also carried out credit searches and it has provided us 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.

Having looked at the credit results, there wasn't anything in my view, that ought to have led Mr Lender to carry out further checks. It knew Mr W wasn't insolvent either through an Individual Voluntary Arrangement, bankruptcy or a County Court Judgement within the three years preceding the loan.

In addition, it was given information to suggest that for each loan Mr W didn't have any outstanding "AAI" loans. These are advance against income and so Mr Lender was informed that there were no outstanding payday loans. Again, further evidence that Mr W wasn't reliant on lending and / or was likely having financial difficulties.

I can see from the screen shot provided by Mr W that in February 2018 – so only a matter of months before loan three was approved his credit score was low and would've potentially led to Mr Lender asking more questions before it agreed to lend.

But I also have to consider that Mr W declared sufficient income and expenditure to afford the loan and the credit search results provided by Mr Lender didn't suggest that he was having difficulties – which given the extract Mr W has provided of his credit score at the time, I'm prepared to accept Mr W did experience.

Overall, given the checks Mr Lender carried out I'm satisfied it was entitled to rely on the information Mr W declared about his income and expenditure for loans three and four. The checks Mr Lender carried out were proportionate and showed Mr W could afford his repayments. There also wasn't anything else to suggest these loans would either be unaffordable for her or unsustainable.

However, loan five was due to be repaid over the course of a year, and Mr W had borrowed more than he had for the previous two loans, and they were taken out fairly quickly after each loan had been repaid. So perhaps, at this point in time Mr Lender ought to have done further checks in order to satisfy itself that Mr W could make the repayments in a sustainable manner.

However, Mr W hasn't been able to provide copy of his bank statements from around this time, and while I've seen a screen shot of Mr W's credit file from February 2018, I don't know what Mr Lender is likely to have seen in April 2019 even if it had carried out further checks.

We've not received any further credit reports or information from Mr W to make me think that had Mr Lender carried out further checks it would've decided that either the loan was unaffordable, or the lending would've been unsustainable for him. So, I can't uphold his complaint about loan five either.

PDL Finance Limited trading as Mr Lender has already made a gesture of goodwill to settle the complaint and Mr W should contact Mr Lender directly if he now wishes to accept this.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 October 2023.

Robert Walker  
**Ombudsman**