

The complaint

Mr F complains that PDL Finance Limited trading as Mr Lender (“Mr Lender”) gave him loans without carrying out sufficient affordability checks, had it done so Mr F says that Mr Lender ought to have realised he already had a number of outstanding payday loans.

What happened

Mr F was advanced three loans and a summary of his borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	largest repayment per loan
1	£300.00	29/05/2022	29/05/2022	unknown	unknown
2	£500.00	29/05/2022	30/05/2022	12	£113.66
3	£400.00	12/07/2022	outstanding	6	£154.44

Mr Lender says loan one repaid on the same day it was advanced and so it was treated as being withdrawn – this meant according to Mr Lender, Mr F wasn’t charged any interest. Loans two and three were structured in such a way so that payments decreased as Mr F repaid the capital.

Following Mr F’s complaint about the sale of the loans, Mr Lender wrote to him to explain that it wasn’t going to uphold the complaint. Unhappy with this response, Mr F referred the complaint to the Financial Ombudsman Service.

An adjudicator then considered the complaint and she said Mr Lender had carried out proportionate checks which showed it each loan was affordable. And so, she didn’t uphold the complaint.

Mr F didn’t agree, saying loan one was repaid and not withdrawn and the adjudicator wrote to Mr F to explain his comments hadn’t changed her mind. 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 F could afford to pay back the amounts 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 F'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 F. These factors include:

- Mr F 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 F 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 F 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 F. The adjudicator didn't think this applied to Mr F's complaint and I agree, considering the number of loans and the dates each one was advanced.

Mr Lender was required to establish whether Mr F 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 F 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 F's complaint.

Loan 1

Loan one was taken and repaid on the same day – by doing this Mr Lender treated the agreement as being withdrawn and it says that it didn't charge Mr F any interest. I don't think Mr Lender was unreasonable in doing this.

I therefore won't be making a finding on this loan, because even if it was decided that the loan ought to not have been granted there wouldn't be a refund due to Mr F because he didn't pay Mr Lender any interest and so he suffered no financial loss. Instead, this decision will focus on loans two and three.

Loans 2 and 3

For both of these loans Mr F declared that his income was £2,300 per month, and for loan three, Mr Lender says the declared income was checked with a tool provided by a credit reference agency and Mr Lender says the results of that check indicated that Mr F did indeed receive a monthly income of £2,300.

Mr F was asked to declare monthly outgoings across a number of different categories including mortgage / rent, credit commitments, utilities and travel to name a few. For loan two Mr F declared these costs came to £1,065 per month and then £1,200 when loan three was approved.

Mr F's housing costs are quite low – he declared that he only paid £100 each month for both loans. But Mr F declared he lived at home with parents so that may explain why his costs were not as high as perhaps someone with rent or a mortgage. I see no reason as to why Mr Lender couldn't rely on what it was told, so I don't think it needed to have verified what Mr F's living arrangements were or ask further questions about the relatively low housing costs.

And given the rest of the living costs Mr F declared, I don't think the information Mr F gave would've prompted Mr Lender to have verified it, which means I don't think it would've needed to have viewed Mr F's bank statements.

Based solely on the income and expenditure information Mr Lender gathered Mr F had enough disposable income to afford the largest repayment for each loan.

Before the loans were approved Mr Lender also carried out credit searches and it has provided the Financial Ombudsman with a summary of the results it received from the credit reference agency.

Having looked at the credit results, there wasn't anything in my view, that would've led Mr Lender to have carried out further checks. It knew Mr F 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 he had no outstanding payday loans at the time loan two was taken out and at loan three he had only one outstanding payday loan. But the presences of one other payday loan wouldn't, in my view have prompted Mr Lender to have either carried out further checks or to have declined the application. I say this is because payments towards other loans were factored into the expenditure assessment which suggested each loan was affordable.

There were also no triggers in the way the previous loans were repaid or in the loan values to have prompted Mr Lender to do better checks, such as reviewing Mr F's bank statements. Given what Mr Lender did know about Mr F, it would've been disproportionate for it to have considered the bank statements when these loans were advanced.

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

I am not upholding Mr F's complaint about these loans. An outstanding balance may still be due on the final loan, and I would remind Mr Lender of its obligation to treat Mr F fairly and with forbearance if needed.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 9 November 2023.

Robert Walker
Ombudsman

