

The complaint

Mr T complains that PDL Finance Limited trading as Mr Lender irresponsibly lent to him.

What happened

From the information provided, Mr Lender lent Mr T six loans over the course of about two and a half years. The loan details are as follows:

Loan number	Date	Loan amount (£)	Term	Highest repayment (£)	End date
1	16/02/2020	200	6 months	86.13	21/08/2020
2	22/04/2021	300	6 months	110	12/05/2021
3	21/05/2021	200	3 months	96.35	07/07/2021
4	07/07/2021	1,500	12 months	361.25	24/12/2021
5	18/07/2022	500	6 months	179.90	26/07/2022
6	03/08/2022	1,500	6 months	694	11/08/2022

When Mr T complained to Mr Lender it didn't uphold his complaint. It said it carried out proportionate checks and those checks showed Mr T could afford the loans. Mr T referred his complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator thought Mr Lender should have carried out further checks before lending loans 4 and 6 and had it done so, she thought it was likely it would still have lent as further checks showed Mr T could afford the repayments of loans 4 and 6. Our adjudicator thought Mr Lender's checks for the other loans went far enough and those checks showed Mr T could afford his loan repayments. Our adjudicator didn't recommend that any part of Mr T's complaint should be upheld.

Mr T disagreed, he said he couldn't afford the loans and he'd deferred repayments and defaulted on his loans. He says Mr Lender continued to lend to him despite knowing this.

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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Mr Lender needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr T could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Mr Lender should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- The *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).
- The *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Mr Lender was required to establish whether Mr T could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. This means Mr B should be able to meet his loan repayments without undue financial difficulties, on time, while meeting other reasonable commitments and without having to borrow further.

I've kept all this in mind when considering Mr T's complaint.

Before lending any of the loans, Mr Lender has provided details to show it asked Mr T about his income and living costs including credit commitment. Mr Lender also searched Mr T's credit file through a credit reference agency.

Loan 1

For loan 1, Mr T declared his income as £2,316 and his living costs including credit commitments as £1,594. This left Mr T with sufficient disposable to meet the highest instalment payment of £86.13 and subsequent instalments. There was nothing from the results of Mr Lender's credit search for this loan that should have concerned it about Mr T's ability to repay this loan over the term. I think the checks here were proportionate and those checks showed Mr T could repay this loan without detriment to his finances.

Loans 2 - 4

There was a gap of around eight months between Mr T repaying loan 1 and borrowing loan 2. I think that gap was sufficient to reset the lending relationship between Mr T and Mr Lender. Mr Lender's checks for this loan also show Mr T would be left with sufficient disposable income to repay the instalments on this loan.

By the time of loan 2, Mr T's income had increased to £4,068 and his declared living costs and credit commitments totalled £1,727, this left Mr T with sufficient disposable income to afford the repayment of this loan over its term. There was also nothing in the results of the credit search that was concerning.

The circumstances of the lending for loan 3 was similar to loan 2 in that Mr T was left with sufficient disposable income to repay this loan. Also, there was nothing from the results of the credit search that suggested Mr T was struggling financially.

Overall, for loans 1 – 3, the circumstances of the lending, along with the loan repayments and the disposable income Mr T had, leads me to conclude that Mr Lender's checks went far enough, and those checks showed Mr T could afford the loans when they were lent.

For loan 4, I think given that loan amount was more than seven times the previous loan, Mr T had borrowed loan 4 on the same day he repaid loan 3 and from what I can see, Mr T deferred the repayments on loan 3 twice even though he still fully repaid the loan before his contractual due date, I don't think it was reasonable for Mr Lender to only rely on what Mr T told it. I think given the circumstances, Mr Lender should have verified the information Mr T provided. As it didn't do this, I don't think its checks went far enough.

Mr T has provided his bank statements from around the time of loan 4 and from what I can see his income was around £5,332.50. I've considered Mr T's living costs and credit commitments and his overall financial picture at this time shows he'd have been left with sufficient disposable income to afford the highest repayment of £361.25 and the subsequent instalments. There was also nothing that suggests he was reliant on this form of credit.

Loans 5 and 6

There was a gap of around seven months between Mr T repaying loan 4 and borrowing loan 5, I think it would be reasonable for the lending relationship to have been reset again due to this gap in lending. The loan was for £500 and the highest repayment (179.90) represented a small portion of Mr T's declared income of £6,000. Mr T declared his living expenses including credit commitment as around £932, and so he was left with sufficient disposable income to repay the loan.

Also, the results of the credit search didn't show Mr T was in financial difficulty. I think it was reasonable for Mr Lender to rely on the information Mr T provided when applying for this loan. That information along with the credit search results showed Mr T could afford the loan repayments.

Loan six was three times the amount borrowed for loan 5, I think given the loan amount and the fact that Mr T borrowed loan 6 only a few days after repaying loan 5, it wasn't reasonable for Mr Lender to wholly rely on what Mr T told it at the time of application. I'd have expected it to verify some of the information Mr T provided.

Mr T has provided copies of his bank statements from around the time of this loan and from what I can see, his income was around £5,954, his expenses on the bank statement show he had sufficient disposable income to repay the highest loan amount of £694 and then meet subsequent loan repayments. While the result of Mr Lender's credit search showed Mr T had an outstanding short-term loan, there was no evidence that he was dependent on this type of lending.

In summary, Mr Lender's checks went far enough for loans 1 – 3 and loan 5. I think it should have taken its checks further before lending loans 4 and 6 and had it done that, I think it would have found Mr T could afford the repayments of those loans. I have also not seen any evidence that Mr T defaulted on any of his loans here.

Overall, Mr Lender didn't act unfairly by lending any of the loans to Mr T and so I won't be asking it to do anything further.

I appreciate my findings will likely disappoint Mr T but I hope my explanation helps him understand why I've reached this outcome.

My final decision

For the reasons given above, I don't uphold this complaint or make any award against PDL Finance Limited trading as Mr Lender.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 2 January 2024.

Oyetola Oduola
Ombudsman