

## **The complaint**

Miss T complains PDL Finance Limited trading as Mr Lender gave her a loan at a time when she had lots of other debt and a decreasing credit score. Had Mr Lender carried out proportionate checks it wouldn't have lent to her.

## **What happened**

Miss T was advanced one loan on 16 December 2021 for £200. Miss T had to make six decreasing monthly repayments, with the largest being £100.53 due in January 2022. Miss T repaid her loan on 24 June 2022.

Following Miss T's complaint Mr Lender wrote to her to explain why it wasn't going to uphold it. Unhappy with this response, Miss T referred the complaint to the Financial Ombudsman.

An adjudicator then considered the complaint, and she didn't uphold it. She thought the checks carried out by Mr Lender were proportionate which showed it that Miss T was likely to be able to afford her repayments. She also couldn't see anything in the information Mr Lender was given, or which it was provided with, to show the loan was either unsustainable for Miss T or that it should've carried out further checks.

Miss T didn't accept the outcome and I've read in full what she has said, and I've summarised her response below:

- Miss T provided a summary from her credit file from the same credit reference agency as the one used by Mr Lender and this shows five open payday loans, two credit cards (with some late payment recorded against one of the credit cards) a recently opened credit card, an overdraft and a new buy-now-pay later account.
- Her credit commitments at the time totalled more than £1,100 per month.
- The loan was needed to pay her bills in the coming month.
- Three new credit lines had been opened in the months before the loan was approved, which should've indicated she was experiencing difficulties.
- Miss T had been recently declined payday loans from other companies.

Later on, Miss T sent an email that contained copies of a number of documents including her credit report, bank statements and various letters from her bank about returned direct debits, overdraft charges and arrears letters.

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.

Mr Lender had to assess the lending to check if Miss T could afford to pay back the amount she'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 Miss T'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 Miss T. These factors include:

- Miss T 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);
- Miss T 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);
- Miss T 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 Miss T. The adjudicator didn't think this applied to Miss T's complaint because only one loan was advanced.

Mr Lender was required to establish whether Miss T could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss T was able to repay her loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss T's complaint and I've decided to not uphold the complaint.

For this loan, Miss T told Mr Lender her monthly income was £2,000. Miss T also declared monthly outgoings of £1,200 across a number of different categories such as rent, food, credit commitments and other regular outgoings to name a few.

Mr Lender believed, based on the information Miss T provided, that she had around £800 per month in disposable income to afford the loan repayment of no more than £101. It would've been reasonable for Mr Lender to believe this loan was affordable for Miss T.

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.

And so, it is entirely possible that the information Mr Lender received from the credit reference agency could show different / and or less information to what Miss T can see in

her own credit report. There could be a number of reasons for this such as Mr Lender only asking for specific information rather than being given an exact copy of the information Miss T may be able to see in her own report.

Miss T has provided a copy of her credit report, but as Mr Lender carried out a credit search, it was and is entitled to rely on the information it was given. So, while I appreciate that Miss T has provided the information, in this case, I am going to rely on what Mr Lender 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 Miss T wasn't insolvent either through an Individual Voluntary Arrangement (IVA), bankruptcy or a County Court Judgement (CCJ) within the three years preceding the loan. In addition, it was given information to suggest that Miss T had zero outstanding payday loans. I appreciate Miss T says that she had a number of such loans outstanding, but that doesn't appear to be reflected in the information given to Mr Lender.

I appreciate that Miss T says she was overindebted and had credit commitments alone came to around £1,100 per month but that wasn't reflected in the information Mr Lender received from the credit reference agency nor the information she provided as part of her application.

Overall, there were no signs, from the credit check results which indicated Miss T was in financial difficulties, was having problems managing her existing credit commitments or had unsustainable levels of debt.

I've also thought about the other information Miss T has provided, including her bank statements. But I have to weigh that up against this being the first loan for a modest sum of £200 loan to be repaid over six months where the checks carried out by Mr Lender didn't suggest any financial difficulties or existing financial problems. I don't think it would've been proportionate at this point in the lending relationship to have viewed her bank statements.

Given it was early in the lending relationship – I think it was reasonable for Mr Lender to have relied on the information Miss T provided to it – which showed she had sufficient disposable income to afford the repayments. There also wasn't anything else to suggest that Miss T was having financial difficulties or that the loan repayments would be unsustainable for her for some other reason.

I'm therefore not upholding Miss T's complaint about this loan.

### **My final decision**

For the reasons I've explained above, I'm not upholding Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 4 August 2023.

Robert Walker  
**Ombudsman**