DRN-4215782

The complaint

Mr R complains that PDL Finance Limited, trading as Mr Lender ("Mr Lender"), lent to him irresponsibly. Mr R says at the time he had lots of late payment and missed payment markers on his credit file.

What happened

Mr R was advanced one loan of £300 on 1 April 2022. He was due to make six monthly payments of varying amounts, with the largest repayment being £117.20 and the smallest being £62. Mr R has had some problems repaying this loan and Mr Lender said at least by April 2023 the account has been passed to at third party debt collection agency.

Mr Lender issued its final response letter (FRL) on 24 April 2023. In that FRL it explained that it thought it was reasonable to have relied on the information given to it by Mr R and Mr Lender also explained that it had carried out proportionate affordability checks. It did not uphold the complaint.

Unhappy with this response, Mr R then referred his complaint to the Financial Ombudsman.

One of our adjudicators looked at the complaint and issued her view explaining why she wasn't going to uphold Mr R's complaint. She thought the checks Mr Lender carried out showed he would likely be able to afford his repayments.

Mr R didn't agree with the adjudicator's assessment, asking for his complaint to be progressed and he also said that he didn't have £500 spare month each month – as the adjudicator suggested.

As no agreement could be reached the complaint 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.

Mr Lender had to assess the lending to check if Mr R 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 R'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 R. These factors include:

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

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

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

For this loan, Mr Lender asked Mr R to declare his income and expenditure and it also carried out a credit search. Mr R declared that his net income was £1,500 a month and I think it was reasonable and proportionate for Mr Lender to have relied on what Mr R declared.

Mr R was also 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 to adjust the expenditure figures (if needed). Mr Lender hasn't said whether it carried out these further checks as part of its affordability assessment for Mr R's application.

But whether it did or didn't compare what Mr R 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 R was saying or to have carried out those extra checks.

What I can say, is that for the affordability assessment Mr Lender used a monthly outgoing figure of £1,019. Based solely on the income and expenditure information Mr Lender gathered Mr R had potentially enough disposable income to afford the largest repayment for the loan.

This left disposable income of almost £500 per month – an amount of money Mr R says he didn't have. I accept that Mr R is suggesting that his actual circumstances weren't fully reflected in the information Mr Lender obtained at the time the loan was granted. But Mr Lender could only make reasonable decisions based on the information it had available at the time.

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.

If information was given to Mr Lender which indicated that Mr R 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. However, if the credit check results didn't show that Mr R had significant on-going repayment problems – as he has explained, I wouldn't at this early point in the lending relationship have expected Mr Lender to know about these.

Having looked at the credit check results Mr Lender has provided, there wasn't anything in my view, that would've led Mr Lender to have carried out further checks. It knew Mr R 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 R 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 R wasn't reliant on other payday loans.

Mr R has also said that at this time he had problems managing his wider finances, but he didn't appear to tell Mr Lender of these at the time and this isn't something I would have expected Mr Lender to have assumed.

Overall, it was reasonable for Mr Lender to have relied on the information that Mr R 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 R should be able to afford the repayments. There also wasn't anything else to suggest the loan would either be unaffordable or unsustainable for him.

I am therefore not upholding Mr R's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 28 December 2023.

Robert Walker
Ombudsman