

The complaint

Mr R complains that PDL Finance Limited, trading as Mr Lender, lent to him when he could not afford it.

What happened

Mr R took one loan from Mr Lender which was on 1 July 2022 and for £200. The repayments were over six months and were variable, meaning that the first two repayments were higher at £73.33 and £74.56 respectively. After that the repayments reduced, as the interest element got smaller, until the sixth repayment was for £40.62 due on 23 December 2022.

Mr R went into a repayment plan relatively soon after taking the loan. I am unsure whether the loan remains outstanding at the time of writing. In April 2023 Mr R did still owe Mr Lender money.

Mr R started the complaint with Mr Lender and he received its final response letter (FRL) dated 27 September 2022. It did not uphold his complaint and after Mr R had referred it to the Financial Ombudsman Service one of our adjudicators held the same view.

Mr Lender agreed with that outcome, Mr R disagreed and the unresolved complaint was passed to me to decide.

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 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 considered several 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 many 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 this is not applicable to Mr R's circumstances as he took one loan only.

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 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, 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 Mr R's complaint. I've decided not to uphold the complaint and I explain why here.

This was Mr R's application for a modest value loan - £200 – and it was the first he had made to Mr Lender. So, it was entitled to rely on the information Mr R gave to it in the application. The main element of Mr R's submissions to us after he'd received our adjudicator's view was that he had other outgoings about which Mr Lender ought to have known – namely money to a family member and money spent on a child's clothes. And that the £511 disposable income would have gone on fuel and food. Plus, Mr R has said that Mr Lender ought to have known from the credit card debts and the other loans he had that his outgoings were more than they were.

Using the Mr Lender records, Mr R had declared to Mr Lender as follows:

Net income of £2,000 each month.

Monthly outgoings of mortgage/rent £300, Electricity /gas/water £61, food/travel £267, telecoms £33, council tax £98, loans (including short term) £600, other regular outgoings £130.

So, his total expenditure was £1,489 each month which still left Mr R with around £511 a month. And looking at the repayment schedule for the loan then it would have looked affordable.

Mr Lender did not need to carry out a credit search under the irresponsible lending requirements the FCA expected of regulated firms. But Mr Lender did do that and as Mr R had already volunteered that his repayments to other credit commitments included £600 a month then it seems that Mr Lender already knew what he was repaying to those creditors. I've received no evidence from Mr R that he was paying more than that.

Mr Lender had received no indication from the credit search it carried out that Mr R was in any insolvency arrangement or had any recent County Court Judgments (CCJs) or had recently been bankrupt or anything of that nature.

Mr R has said:

'To simply ask one person to fill in a couple of box [sic] of what the outgoings are, I would say is a failure to carry out proper checks.'

I disagree. Mr Lender asked Mr R for information and then carried out more research. If Mr R felt that he had more outgoings then use of the listed category 'other regular outgoings' likely would have been the appropriate one to use. So, I do not think that the application process 'lack of detail' is a persuasive one.

For a £200 first loan I would not have expected Mr Lender to have done more. It would have been disproportionate to expect Mr Lender to have asked for and reviewed Mr R's bank account statements.

I do not uphold the complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 August 2023.

Rachael Williams
Ombudsman