The complaint

Mr S complains that PDL Finance Limited, trading as Mr Lender, lent to him without carrying out the right checks to see he could not afford the credit.

What happened

Mr S took two loans and here is a brief loan table. The table shows the highest instalment repayable – usually those being in the first two instalments due to be made – and thereafter reduced as the interest element became lower. 'DMP' means a 'debt management plan'. Loan 2 was repaid in October 2022.

Loan	Approved	Amount	Highest instalment due	Number of monthly instalments	Repaid
1	22 September 2021	£200	£107.60	4	28 October 2021
2	29 October 2021	£400	£156. 26	6	DMP from February 2022

Mr Lender received Mr S' complaint and issue a final response letter (FRL) in November 2022 in which it gave reasons as to why it considered it had done nothing wrong. It did not uphold Mr S' complaint.

Mr S referred his complaint to the Financial Ombudsman Service. Mr S has said that at the time he took loan 2 then he had several other loans and Mr Lender ought to have known that. He has forwarded to us copies of bank account statements covering the lending period and a bit before that. He has sent to us his personal credit file dated November 2022.

One of our adjudicators did not think that the evidence demonstrated Mr Lender had done anything wrong. Mr S disagreed as he pointed out that:

- in the second loan application he declared his income was £500 lower than what he'd declared for his first loan and so Mr Lender ought to have checked his income; and
- when he requested loan 2, it went straight to the underwriters who didn't check his credit score as he said he already had six other loans. Mr Lender should have checked more; and
- six other lenders agreed to refund him the interest and Mr Lender was the only one who didn't want to refund it.

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 S 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 several different things, such as how much was being lent, the size of the repayments, and Mr 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 S. These factors include:

- Mr S 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 S 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 S 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 S. But I do not consider that this 'repeat lending' issue arises in Mr S' circumstances as he took two loans only.

Mr Lender was required to establish whether Mr S 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 S was able to repay his loans 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 S' complaint. I have decided not to uphold the complaint and I explain in the decision as to why.

Loan 1

Loan 1 was for £200 which was a modest amount. This was the first loan application Mr S had made to Mr Lender and so as a new customer it was reasonable for Mr Lender to rely on the information Mr S gave to it as part of his application. It seemed from the declared income and expenditure for loan 1 that Mr S was able to afford the loan repayments.

Mr S declared a £3,500 monthly income after tax and expenditure of £1,528 of which £646 Mr S had declared as being for loan/credit commitment repayments.

Mr Lender did do a credit check to consider if Mr S had enough to cover the cost of the loan which was relatively modest at £200 and was for a four month instalment agreement. And although the credit search results Mr Lender has sent to us are brief, it indicates that Mr Lender had no reasons to be concerned. There was no indication of any insolvencies or any other public records – such as County Court Judgments – about which Mr Lender had been informed.

So, Mr Lender would have been aware of the declared cost on other credit commitments and it had carried out its own research. Still, it considered that with a disposable income of around £1,972 each month then Mr S was able to afford a loan where the highest repayment in the four month term was around £107.

I consider that Mr Lender's checks were proportionate to the loan and the position of that application in the lending chain and I do not uphold Mr S' complaint about loan 1.

Loan 2

Loan 2 was made the next day in late October 2021. Mr S has made a point about his declared income being £500 lower for the loan 2 application. Although I would not have expected Mr Lender to have asked for, or reviewed, bank account statements, for me to check this income point I have utilised the information Mr S provided to us to see what it is that Mr Lender may have discovered if it had checked Mr S' income.

On 28 September 2021, Mr S' income into his account was £3,924 and on 28 October 2021 the salary was £2,848.52. So there had been a drop. But I note that in August 2021 Mr S had a salary credit of over £4,000. So, the most that Mr Lender would have divined from that research, if it had done it, was that Mr S' salary varied from £2,800 to £4,000. This would not have been a reason to refuse the loan for £400.

Using the salary declared – which appeared to have been broadly accurate (£3,000) - then at loan 2 Mr S declared that he had outgoings of £1,930 of which £688 was spent on other credit commitment costs. The other declared expenditure items included mortgage/rent, utilities, food and travel costs, council tax, telephone and 'other'. That would have left a disposable income of around £1,070 and so Mr Lender would have considered loan 2 affordable.

Mr Lender did do a credit check and it knew that Mr S had already told it he had credit commitment costs. Its own research showed that he had one outstanding 'AAI' which Mr Lender has explained to mean 'Advance against Income', in other words a payday loan.

None of this information nor the research Mr Lender carried out would have precipitated it to have needed or to have asked to review Mr S' bank account statements. I would have considered it disproportionate for this value of loan and at this juncture in the lending relationship – loan 2.

I do not uphold Mr S' complaint about loan 2.

Other points

Mr S has said that he's complained to other lenders and he has told us that all six have refunded him the interest on the loans.

I do not know the reasons why other lenders have made those decisions – each is particular to its own circumstances.

And the outcome of other complaints - which may not have been referred to the Financial Ombudsman Service – are not ones which are going to influence how I approach this complaint with Mr Lender. Those other lenders may have had their own reasons for responding to Mr S' complaints in their own ways. I've no details and even if I did this complaint by Mr S against Mr Lender has been referred to us and we have approached it in the way that we approach all irresponsible lending complaints.

I have checked our case management file records and I have noted that Mr S referred one other complaint to us which resulted in a non-uphold.

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 S to accept or reject my decision before 5 September 2023.

Rachael Williams
Ombudsman