DRN-1929271

The complaint

Mr F says PDL Finance Limited ("PDL"), irresponsibly lent to him. Mr F has said he couldn't afford the loan repayments and had to take further borrowing in order to do so.

What happened

This complaint is about one short-term loan PDL provided to Mr F in April 2016.
Mr F's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Monthly Repayment
1	06/04/2016	Unknown	5	£400.00	£161.92

At the time Mr F raised his complaint with PDL it confirmed it had passed the outstanding debt on the loan to a debt collection agency. But it offered to recall that debt and then nothing more would be owed by Mr F. Since then Mr F has repaid the loan and PDL has subsequently withdrawn its offer.

Our adjudicator didn't uphold Mr F's complaint. They thought the checks PDL had carried out before lending to him were reasonable and the information it obtained wouldn't have given it any cause to reconsider giving Mr F the loan.

Mr F didn't agree. He thought the offer might have been generous a few years ago but now that he had paid off the capital plus an additional £300 interest, he didn't think that was still the case.

As the complaint remains unresolved, it has been passed to me for decision in my role as ombudsman.

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.

PDL 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 F could repay the loan 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 PDL 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.

I think that it is important for me to start by saying that PDL was required to establish whether Mr F could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr F's complaint. After doing so, I've decided not to uphold the complaint. I'll explain why.

PDL has told this service about the checks it carried out before approving the loan. This included information about Mr F's income and expenditure to establish whether the loan was affordable for him as well as a credit check. It said Mr F had confirmed he was not in an IVA, bankruptcy or debt management plan, nor was he using the loan to repay other loans or for gambling.

Before the first loan was agreed, Mr F's income was recorded as being £2,200 per month. His expenditure was recorded as £1,535 (which included other loan repayments) a month. So, this would leave Mr F with a disposable monthly income of £665.00. Taking this into account I don't think the loan looks unaffordable on a pounds and pence basis.

As I've said above, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But I don't think there was anything in the information that Mr F provided to PDL which would have caused it to be concerned that he was having problems managing his finances.

It's possible that Mr F's financial circumstances weren't correctly reflected in either the information he provided, or any other information PDL obtained. And if his circumstances were different – which Mr F has said is the case – Mr F's actual financial position may well have been more apparent if further information – such as bank statements or more in- depth credit checks – had been obtained. Mr F has given us a copy of his bank statements from around the time of the borrowing, and I see they show he had been using other short- term credit providers, but I wouldn't have expected PDL to have gathered such detailed information at the first point of lending to him.

PDL could only make a decision based on the information it had available at the time. That information – and the fact the loan was the beginning of the lending relationship – I don't think indicated there was a greater risk of the loan being unaffordable or unsustainable for Mr F.

In these circumstances, I don't think PDL needed to take further steps to verify the information provided – such as asking Mr F for evidence of his income and outgoings which PDL could have gathered from his bank statements or copies of any bills, as examples. I have considered the information that was provided to, and obtained by PDL before it lent to Mr F. And there isn't anything in this information that may have led PDL to conclude that it should decline Mr F's application for the loan. And there isn't anything to have prompted it to ask for more information about Mr F. So, I don't think PDL was wrong to have provided this loan, based solely on the information it had.

So overall, in these circumstances, I think the assessment PDL did for this loan was proportionate. And I think its decision to lend to Mr F wasn't unreasonable.

I appreciate my conclusion to Mr F's complaint will be a disappointment to him, but I hope I have managed to explain how and why I've reached it.

My final decision

For the reasons given above, I'm not upholding Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 August 2020.

Catherine Langley
Ombudsman