DRN-2612819

The complaint

Mr M complains that PDL Finance Limited trading as Mr Lender was irresponsible in its lending to him.

What happened

Mr M took out two loans with Mr Lender, one in August 2017 and the second in January 2018. Both loans were for £250.

Loan	Date Taken	Date Repaid	Instalments	Amount
1	14/08/2017	29/12/2017	3	£250.00
2	04/01/2018	30/04/2018	3	£250.00

Mr M says that Mr Lender didn't carry out sufficient checks before lending to him. He says that had adequate checks taken place, Mr Lender would have seen he was in debt, had several credit cards and was gambling.

Mr Lender says that it didn't receive Mr M's complaint which was why a final response letter wasn't issued. It said it was happy for Mr M's complaint to be considered by this service and provided its business file which contained information about the loans and Mr M's circumstances at that time. Mr Lender said that based on the information gathered the loans were sustainable and affordable for Mr M.

Our investigator didn't uphold this complaint. She didn't think further verification of the information provided to Mr Lender was required and didn't think that the number of loans, amount borrowed, or period of indebtedness meant that Mr Lender shouldn't have provided the loans.

Mr M didn't agree with our investigator's view. He said that he provided copies of his bank statements to Mr Lender before the loans were provided which showed his financial position and that his credit score was poor. He said he had put in a data subject access request to Mr Lender to show the information he had provided. He didn't accept it was reasonable that the loans were provided.

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.

Mr Lender 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 that Mr M could repay the loans 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 Mr Lender should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. These factors include:

- the *lowe*r a customer'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 Mr Lender was required to establish whether Mr M could sustainably repay his loans - 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 Consumer Credit Sourcebook ("CONC"), defines 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 M's complaint.

Mr M took out his first loan in August 2017. This was for £250 repayable over three monthly instalments with the highest repayment amount of around £170. At the time of the loan Mr M's monthly income was recorded as £1,350 and his monthly expenses as £768. I have looked through the information recorded by Mr Lender and can see it includes information about Mr M's housing costs, food and travel and other loans. Mr M told Mr Lender that the loan was for a holiday. Considering this was Mr M's first loan with Mr Lender and assessing the repayment amounts required compared to Mr M's monthly income and disposable income I find the checks carried out regarding Mr M's income and expenses were proportionate.

Mr M repaid his first loan and took out a second loan a few days later. The second loan was for £250 and Mr M said he needed this for unexpected car repairs. I do not find this an unreasonable reason for the loan. The highest monthly repayment on this loan was just under £130. Before this loan was provided information about Mr M's income and expenses was gathered. At this time, Mr M's monthly income had reduced to £1,000 and his expenses stayed the same at £768. This meant he had a lower disposable income however, this still appeared enough to meet the repayment amount.

The second loan was still early in the borrowing relationship with Mr Lender. I note Mr M's comments about this, and I agree that proportionate checks are required at all stages of the relationship however I also find that in the early stages of a lending relationship less information may be gathered and assuming this doesn't raise concerns this can be proportionate. If a lending relationship continues it may be considered that the loans weren't being used for one-off or short term shortfalls but instead for ongoing costs. With this being only the second loan, I think the checks into Mr M's income and expenses were proportionate and didn't require further verification.

Mr M has said that he provided copies of his bank statements to Mr Lender before the loans were provided and that these showed he was gambling and had other debts. If this information was provided then I would expect Mr Lender to have taken it into account in its decision making process. However, I don't think that Mr Lender was required to ask for bank statements at this time and having asked Mr Lender about this issue it has said that it couldn't find any correspondence from Mr M providing bank statements to it prior to his loans being approved.

I have looked at the statements Mr M provided and while I do not find these show evidence of gambling at a level that should have raised concerns at the time, I note there were several returned direct debits which may have suggested he was struggling to manage his money. However, as I have nothing to show that the bank statements were provided to Mr Lender before the loans were advanced, and I find the information Mr Lender gathered at the time was proportionate and suggested the loans were affordable., I do not find I can say Mr Lender was wrong to provide the loans to Mr M.

Overall, while I understand this decision will be disappointing for Mr M, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint against PDL Finance Limited trading as Mr Lender.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 April 2021.

Jane Archer
Ombudsman