

## The complaint

Mr L complains that PDL Finance Limited, trading as Mr Lender, lent to him irresponsibly.

## What happened

Using information provided by PDL and Mr L, here is a brief table showing the approved loans. It has been amended since my last provisional decision dated 7 May 2021. What has altered is that Mr L has informed us he has repaid loan 4 since the complaint has been at this Service.

Loan	Date Taken	Date Repaid	Instalments	Deferments	Amount	Highest Repayment
1	12/01/2010	03/09/2010	1	0	£200.00	£255.00
<i>Significant gap in lending</i>						
2	22/07/2019	30/09/2019	6	0	£250.00	£119.66
3	01/10/2019	12/05/2020	12	1	£1,000.00	£213.83
4	14/05/2020	24/01/2021	12	1	£1,000.00	£215.17

One of our adjudicators looked at the complaint and thought that PDL should put things right for Mr L for loans 3 and 4. PDL disagreed and gave reasons why.

The complaint was passed to me for a decision. I have issued two provisional decisions on 7 May 2021 and 24 May 2021. They are set out in the main body of this final decision and form part of it. Nothing further has been received from Mr L and PDL has said it has nothing further to add.

## 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 have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

PDL needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr L could repay the loans in a sustainable manner. These checks could include several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

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:

- Mr L 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 L having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr L 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.

PDL was required to establish whether Mr L could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. 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 the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that. I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr L's complaint.

### ***My first provisional decision findings***

*Mr L has told us about a gambling problem that he had at the time. He has given permission for this to be referred to. I am sorry to hear that Mr L has experienced that. But I do not think it is a reason to lead to a conclusion that PDL lent irresponsibly. And I say that because I do not think it's likely, or it was expected, that PDL would be aware of Mr L's gambling.*

*I will explain what I have provisionally decided for each loan in the following paragraphs. The checks I would consider proportionate for Loan 1, approved in January 2010, were that PDL was able to rely on the information Mr L gave to it at the time of the application. This is because he would have been a new customer and the £200 applied for was a relatively modest sum. The information PDL has supplied shows that Mr L declared an income of £1,250. It carried out a verification check on his employment and his income and the credit check it carried out didn't show anything to cause concern to PDL and the loan was approved. I would not have expected PDL to do more and I am not planning to uphold the complaint about loan 1.*

*Loan 2 was applied for in July 2019 – nine years after the first loan was paid off. This is a long gap and I am treating this as a break in the lending chain. So PDL would be acting reasonably to treat Mr L as a new customer after so many years of not lending to him. So,*

*Loan 2 was the first loan in a new loan chain. As such I'd expect PDL to have relied on the information Mr L gave to it. I'd consider that to be proportionate to the loan sum applied for (£250) and in line with the regulations governing lending decisions. Mr L declared a good level of net monthly income and a detailed expenditure list. I duplicate those details here.*

<b>NET Income</b>	<b>£3,800.00</b>
Mortgage / Rent	£750.00
Electricity / Gas / Water	£150.00
Food / Travel	£150.00
Telecommunications	£60.00
Council Tax	£105.00
Loans <b>(Including short term loans)</b>	£395.00
Other regular outgoings	£200.00
<b>Total Expenditure (£)</b>	<b>£1,810.00</b>
<b>Disposable Income (£)</b>	<b>£1,990.00</b>

*PDL has explained that Mr L gave a credible explanation for needing the £250 loan – an unexpected car maintenance bill – and after carrying out a credit search the loan was approved. The repayments were scheduled for six months and the highest one was due to be around £119. The instalment repayments reduced over the term. This loan was repaid early after two months, in September 2019. I am not planning to uphold the complaint about this loan 2.*

*Loan 3 (loan 2 in this loan chain) was applied for soon after repaying the £250 loan. It was for more money - £1,000 - and was to be over 12 months with the largest repayment scheduled to be around £214. This was a similar amount to the monthly repayments due on loan 2. The loan 3 agreement shows that the scheduled payments reduced over the term. Mr L declared the same figures for net income and expenditure as before. Considering the declared figures, and having successfully repaid the loan immediately preceding which had around the same monthly repayment figure as this new loan going forward, then it's a reasonable assumption that this loan looked affordable to PDL.*

*PDL said: 'The highest amount repayable on this loan would have been £213.83 and this would have been against a disposable income of £1,990.00. This is just 11 % of the disposable income and just 6 % of the net income of £3,800.00.*

*We took into consideration other short term loans with this application. [Mr L] told us that they were repaying £395.00 towards other short term loans and this still left them with a disposable income of £1,990.00.'*

*PDL did carry out a credit search and the results, although brief, have been summarised for us. PDL has explained that the credit search showed nothing to cause it concern. Mr L has mentioned that he had other debt at the time, but he has not sent us anything about his*

credit circumstances around that time. And PDL knows he had declared his £395 a month for other loans when he applied. In the absence of any information about Mr L's credit situation, and as he has sent to us some bank statements for two accounts, then I reviewed them. I can see the declared £395 being paid to a lender. But apart from that, I cannot see any others.

So, I have nothing to indicate that Mr L had other debt over and above that which he had already told PDL about. And the statements show me that Mr L may have had an additional income stream from a company which official records tell me he was/is a sole director. Mr L has time to clarify this before the provisional decision deadline if he wishes to.

It would be disproportionate for PDL to be expected to have done more, or to carry out a full financial review. And so, I would not have expected it, at this stage of this lending chain relationship, to have asked for, or reviewed any of Mr L's bank statements. This is where I differ from our adjudicator's view.

I have reconsidered the approval surrounding the second loan in this loan chain and I do not think that PDL needed to do more. I am not planning to uphold Mr L's complaint on loan 3. I notice that PDL's final response letter to Mr L included a goodwill offer. And the files and submissions sent to us by PDL do include a 'Note to Ombudsman' relating to loan 4 and says: '... we did offer to wipe his outstanding balance as a gesture of goodwill. We can confirm this offer is still available.'

I am issuing this provisional decision on the basis that the loan 4 offer set out in the final response letter dated August 2020 is still in place and I set it out here: 'As a gesture of goodwill, we would be willing to discount your outstanding balance and close your account, therefore no further monies will be owed.'

So, I make no finding on that loan. It's a matter for PDL and Mr L.

### **Responses from both parties after my first provisional decision**

Since the first provisional decision was issued, PDL has replied to say that it has nothing to add.

Mr L has responded to say that the offer to 'wipe his outstanding balance' in relation to loan 4 has become irrelevant as Mr L has paid the balance off. No correction or new offer has been made by PDL.

As I made no findings on loan 4 in my first provisional decision then this seems to be one part of the complaint which remains unresolved.

In my first provisional decision I referred to the fact that Mr L appeared to have an additional income stream from a company which official records tell me he was/is a sole director. Mr L has had time to clarify this before the provisional decision deadline but he has not sent me anything further. And so, I am proceeding in relation to loan 4 with the information I have which is that Mr L had additional income from a company and his bank statements tell me they were not insignificant sums.

Reviewing all that I have in relation to the complaint, my provisional findings in relation to the first three loans remain the same as before and are repeated here. And in relation to loan 4, I am planning not to uphold Mr L's complaint. I explain here.

Mr L applied for loan 4 in May 2020 and it was for £1,000 for 12 months. PDL has sent to us three payslips which cover February, March and April 2020. These seem to relate to the

company by which he was employed and show about £4,150 net income each month. PDL has said it used his average of around £3,200 per month.

*PDL said: "The highest amount repayable on this loan would have been £215.17 and this would have been against a disposable income of £1,700.00. This is just 13 % of the disposable income and just 7 % of the net income of £3,200.00.*

*We took into consideration other short term loans with this application. [Mr L] told us that they were repaying £395.00 towards other short term loans and this still left them with a disposable income of £1,700.00."*

*PDL asked Mr L some additional questions one of which was: 'Are you currently suffering from a gambling, alcohol or drug addiction?' It appears from PDL's records that Mr L responded 'No' to this.*

*Mr L declared the same figures for net income and expenditure as before. Considering the declared figures, and having successfully repaid the loan immediately preceding which had around the same monthly repayment figure as this new loan going forward, then it's a reasonable assumption that this loan looked affordable to PDL.*

*Mr L has sent no additional information in. I don't think that I would have expected PDL to have reached the point in the lending relationship where a full financial review was expected of it. Mr L had successfully repaid loan 3 early and having obtained payslips which showed a good level of income then I doubt PDL needed to do that. And loan 3 was the third loan in this lending chain and so still relatively early in the relationship.*

*Even if it had and PDL had chosen to review Mr L's bank statements (which is one way of carrying out a full review – not the only way) then I do not think it would have seen anything to alter its position and not lend to Mr L.*

*I have reviewed Mr L's bank statements from around this time: March 2020 for one account and April 2020 for a different account in order to look at what PDL may have seen. They show me additional income being paid into his account from the company of which he is a director.*

*But I do not see any other debts being paid over and above the £395 he had declared to PDL when applying for loan 4. And the two bank statements for the two accounts do not show any evidence of gambling. As Mr L's answer to PDL at the time was 'No' when asked if he had any issues with gambling, I doubt that Mr L would have sent to PDL any bank statements showing the gambling. And so, I do not think that this would have been an element of Mr L's financial circumstances PDL would have known about even if it had carried out a full financial review for loan 4.*

*My provisional decision is that I do not uphold loan 4.*

### **My final decision findings**

As neither party has sent to me any further evidence or submissions in relation to my second provisional decision, then I see no reason to alter my decision. I come to the same outcome and for the same reasons set out in both of my earlier provisional decisions for each of the loans.

### **My final decision**

My final decision is that I do not uphold Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 6 July 2021.

Rachael Williams  
**Ombudsman**