

## The complaint

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

## What happened

Mr M was provided with three loans by Mr Lender between December 2017 and February 2019. The details are set out below.

Loan	Amount	Instalments	Date	Repaid
1	£500	6	26/12/2017	29/06/2018
2	£300	3	04/10/2018	31/01/2019
3	£600	6	01/02/2019	30/08/2019

Mr M says had adequate checks on his income and expenses taken place before the loans were provided Mr Lender would have realised the loans were unaffordable. He says that he was taking out new loans to repay existing debt.

Mr Lender says that affordability and credit checks were carried out before the loans were provided and that its checks were proportionate. It says based on its checks the loans were affordable and noted that Mr M settled loans 1 and 2 without requiring any help or support. When Mr M was unable to make his agreed repayments Mr Lender says he set up a repayment plan through his online account.

Mr Lender didn't uphold Mr M's complaint but offered as a gesture of goodwill a £25 voucher and to remove any adverse information from Mr M's credit file.

Mr M didn't agree with Mr Lender's response and referred his complaint to this service.

Our adjudicator didn't uphold this complaint. She thought the checks carried out before the loans were provided were proportionate and that it was reasonable Mr Lender relied on the information it received. She said based on these checks the loans appeared affordable.

Mr M didn't agree with our adjudicator's view. He said that before the first loan was provided he had taken out several other payday loans as well as having outstanding balances on multiple credit cards. He says his bank statements showed he was gambling excessively and that regular direct debits were being returned. Mr M said that a similar complaint he had raised had been upheld.

## *My provisional decision*

I issued a provisional decision upholding Mr M's complaint. I concluded in summary:

- Before the first loan was provided in December 2017, information about Mr M's income and expenses was gathered and a credit check carried out. The information

provided by Mr Lender said that Mr M was making monthly payments of £1,600 towards other short term loans. I thought this should have raised concerns.

- I noted that the table of information suggested the £1,600 monthly payment was for loans (including short term loans) and that the other information provided suggested Mr M only had one other short term loan at the time. But I thought payments of £1,600 for credit commitments was still a high amount compared to Mr M's income of £2,550 and it should have raised concerns.
- I thought that the high amount recorded for credit commitments didn't necessarily mean that the loan shouldn't have been provided but I thought it should have raised questions that meant further checks should have taken place to ensure the lending was sustainable.
- The information Mr M provided from the time of loan 1 showed he had several loans outstanding with other short term loan providers and was making frequent payments towards gambling sites. Therefore, while I appreciated this was Mr M's first loan with Mr Lender and in certain circumstances the checks could have been proportionate, I thought the information Mr Lender received in this case raised sufficient concerns that further verification was needed. And had this happened, Mr Lender would have realised Mr M was struggling to manage his money.
- Mr M repaid loan 1 and took out a second loan for £300 around three months later. By this time, the amount recorded for Mr M's payments towards other loans (including short term loans) had reduced to £540 and Mr Lender's checks suggested there were no other short term loans outstanding. However, as I thought further checks should have taken place before loan 1 was provided and noting the issues these checks would have shown, I thought it reasonable that this loan would only be provided if it was clear that Mr M's financial situation had materially improved.
- I looked at the information Mr M provided for the time loan 2 was provided and this showed that he was still struggling to manage his money. He had several short term loans outstanding and several direct debit payments returned. Therefore, I didn't find I could say that it was reasonable that this loan was provided.
- Mr M repaid loan 2 and took out a much larger loan straight away. Again, had further checks been carried out before loan 3 was provided these would have shown that Mr M's financial situation hadn't significantly improved and that he was still making use of short term loan providers and struggling to manage his money.
- Overall, I thought that the checks carried out before the first loan was provided should have raised concerns that meant further verification was carried out. Had this happened I thought that Mr Lender would have realised that lending to Mr M wasn't sustainably affordable.

Mr Lender didn't accept my provisional decision. It said a mistake had been made in the information it sent to us about the amount Mr M was paying towards his other credit commitments. It said that instead of paying £1,600 a month at the time of loan 1, he was paying £850. It provided a call recording from the time of loan 1 to support this.

### **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.

As I set out in my provisional decision, I note Mr M's comments about another complaint but every complaint is dealt with individually and the outcome is based on what is fair and reasonable given the unique circumstances of the specific 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. I have considered these in my assessment of this complaint.

In my provisional decision, I set out my reasons for upholding Mr M's complaint. Mr Lender responded to my decision with new information which I have considered. I have listened to the call on which the information about Mr M's income and expenses was gathered as part of the checks before loan 1. He confirms that his monthly income is £2,550 and that he is paying £850 each month for other loans. He provides information about his other expenses and says he has around £700 to £800 left over at the end of each month. I accept that based on these figures loan 1 appears affordable.

However, while the amount Mr M was spending on his credit commitments is lower than was first suggested, I still think the information raises concerns that mean it would have been reasonable to ask further questions. I say this because Mr M is asking to borrow £500 repayable over six monthly instalments, however he also states he has £700 to £800 spare at the end of each month. I do not think this means the loan shouldn't have been provided (as while it suggests it isn't needed that is Mr M's choice) but I think it suggests that a full picture of Mr M's expenses hasn't been gathered.

Also, while the payments to other loans was £850, not £1,600 as initially stated, I still think this raises concerns that meant further checks should have taken place. I say this because the payment to other loans were for around a third of Mr M's income which I think is significant and indicative of more needing to be done to ascertain whether the remainder of his income was enough to repay any additional credit. Given this I think further checks should have taken place. Had further checks taken place I think Mr Lender would have realised that Mr M was struggling to manage his money and that this situation didn't change significantly over his time borrowing from Mr Lender. Therefore, while I have considered the new information provided by Mr Lender I do not find that it changes my conclusion that the loans weren't sustainably affordable.

### **Putting things right**

In deciding what redress Mr Lender should fairly pay in this case I've thought about what might have happened had it not lent to Mr M.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr M may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, he may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, he may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if he had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Mr M in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr M would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Mr Lender's liability in this case for what I'm satisfied it has done wrong and should put right.

My final decision is that PDL Finance Limited (trading as Mr Lender) should:

- refund all interest and charges that Mr M paid on his loans;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- remove any adverse information from about these loans from Mr M's credit file.

\* HM Revenue & Customs requires Mr Lender to take off tax from this interest. Mr Lender must give Mr M a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

My final decision is that I uphold this complaint. PDL Finance Limited trading as Mr Lender should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 February 2022.

Jane Archer  
**Ombudsman**