

## The complaint

Mr S complains that PDL Finance Limited trading as Mr Lender irresponsibly lent to him. He has said had proper checks been carried out the lender would have seen he had a gambling problem and wouldn't have lent to him.

## What happened

Mr Lender lent Mr S three instalment loans, from the information provided by Mr Lender, Mr S' borrowing history is as follows:

Loan number	Start date	Loan amount (£)	Term	Highest Repayment (£)	End date
1	05/07/2022	300	3 months	157.60	11/07/2022
2	13/07/2022	400	6 months	154.44	25/07/2022
3	12/12/2022	1,500	12 months	322.76	outstanding

When Mr S complained to Mr Lender, it didn't accept it was wrong to lend any of the loans but as a gesture of goodwill, offered to remove interest, fees and charges from loan 3 so that Mr S only repays the capital borrowed. Mr Lender also offered to remove all three loans from Mr S' credit file.

Mr S didn't accept the offer and referred his complaint to this service where it was looked at by one of our adjudicators. Our adjudicator didn't think Mr Lender was wrong to lend loans 1 and 2 but thought Mr Lender shouldn't have carried further checks before lending loan 3. She said the steps taken by Mr Lender in response to Mr S' complaint about loan 3 was in line with what the Financial Ombudsman Service will recommend in similar circumstances where a complaint is upheld, so she didn't ask Mr Lender to do anything further.

Mr S asked for an ombudsman to make a decision.

## 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 reasonable and proportionate checks to make sure Mr S could repay the loans without suffering financial detriment. 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 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 say that Mr Lender was required to establish whether Mr S could repay his loans without undue difficulties and in particular he should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. Mr Lender wasn't just required to check that the loan payments were affordable on a strict pounds and pence calculation.

Looking at the circumstances for loans 1 and 2, both loans were lent at the early stages of Mr S' lending relationship with so I won't have automatically expected Mr Lender to be carrying out detailed checks like requesting bank statements at this point. When these loans were lent, Mr S declared his income as £2,500 and his living costs including credit commitments as £1,295. This meant Mr S had sufficient income to cover the loan repayments over the term of both loans. Mr Lender also carried out credit checks before lending both these loans and there was nothing within the results that I think should have prompted Mr Lender to take its checks further.

So, for both loans 1 and 2 I think Mr Lender's checks went far enough and based on those checks, Mr S could afford the loan repayments, so I don't think Mr Lender was wrong to lend them.

For loan 3, given the circumstances here – the increased capital amount and term, it would have been reasonable for Mr Lender to take its checks further. I don't think Mr Lender's checks went far enough here. But the fact the checks were insufficient doesn't automatically mean Mr Lender shouldn't have lent. Mr S has said he had a gambling problem at the time, and this would have been evident from his bank statements. Mr S hasn't provided his bank statements from the time of this loan but given what Mr S has said and the information on his bank statements for loans 1 and 2, I think it is likely Mr Lender's further checks would have shown this loan shouldn't have been lent.

Mr Lender has offered to redress this loan in line with the Financial Ombudsman's recommendation in similar cases. Mr Lender has offered to remove interest, fees and charges from loan 3 and also remove all three loans from Mr S' credit file. It has also referred Mr S to a specialist team due to his circumstances. I'd remind Mr Lender to treat Mr S positively in his financial difficulty and agree a suitable repayment plan for the capital on loan 3 should Mr S require it.

Based on all the information, I won't be asking Mr Lender to do anything further, as I think it has acted fairly by offering to put Mr S back in the position, he'd have been had loan 3 not been granted. I appreciate Mr S would be disappointed with my findings as I can see he feels strongly about it, but I hope my explanation goes some way to help him understand why I've reached these conclusions.

### **Putting things right**

Mr Lender should take the steps it as already offered to by removing interest, fees and charges and removing all the loans from Mr S' credit file. It can remove loan 3 from Mr S' credit file once he fully repays the capital.

### **My final decision**

For the reasons given above, I uphold Mr S' complaint in part and direct PDL Finance Limited trading as Mr Lender's offer to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 February 2024.

Oyetola Oduola  
**Ombudsman**