

## **The complaint**

Mr E complains PDL Finance trading as Mr Lender irresponsibly lent to him.

## **What happened**

PDL Finance provided Mr E with a single loan in December 2023. The loan was for £300 and was due to be repaid over six monthly instalments of between £61.60 and £118.00. The total amount to be repaid by the end of the loan term, including interest, was £531.20.

One of our investigators reviewed Mr E's complaint. But they didn't think PDL Finance had treated Mr E unfairly, and so they didn't recommend that the complaint be upheld.

Mr E didn't agree with the investigator's findings and so the complaint was passed to me to review afresh.

## **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.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Mr E. I hope my explanation helps him to understand why I've come to this conclusion.

PDL Finance 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 E could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but 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.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did PDL Finance carry out reasonable and proportionate checks to satisfy itself that Mr E was likely to have been able to repay the borrowing in a sustainable way?

i. If PDL Finance carried out such checks, did it lend to Mr E responsibly using the information it had?

Or

ii. If PDL Finance didn't carry out such checks, would appropriate checks have demonstrated that Mr E was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr E lose out as a result of PDL Finance's decision to lend to him?

3. Did PDL Finance act unfairly or unreasonably in some other way?

Did PDL Finance carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr E was applying for along with the size, length and cost of the borrowing; and
- Mr E's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr E's complaint.

Prior to agreeing to lend, Mr E was asked to provide details of his net monthly income. Mr E declared his net monthly income was £1,530. PDL Finance also asked Mr E about his regular monthly outgoings. This included his rent/mortgage, bills, food shopping, travel, and the cost of any other loans. Mr E's declared monthly spending came to £1,121.

It wasn't a particularly large loan, and the monthly repayments were not substantial in relation to Mr E's declared income. And it was repayable over a reasonably short period of time. Further, this appears to have been Mr E's first loan with PDL Finance. As such, I don't think there was any established pattern in his borrowing needs, at least from PDL Finance, at that stage. Therefore, I think it was reasonable of PDL Finance to have relied on the information Mr E had provided.

But PDL Finance also carried out a credit search and it has provided the results it received from the credit reference agency. It is worth saying here that although PDL Finance carried out a credit search there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what PDL Finance couldn't do is carry out a credit search and then not react to the information it received – if necessary.

With all of this in mind, I think PDL Finance proceeded with a proportionate amount of information. However, as I've said before, once PDL Finance had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Mr E could afford to meet the loan repayments in a sustainable way over the term of the loan.

#### Did PDL Finance lend to Mr E responsibly using the information it had?

Using the information Mr E declared about his financial circumstances, it looked like he had £409 disposable income per month. So, PDL Finance was satisfied that the loan repayments for this loan should've been affordable for Mr E on a simple pounds and pence basis.

As I've said, PDL Finance also carried out a credit check. And although the credit search results PDL Finance has sent to us are brief, it indicates that it had no reasons to be concerned. The results suggested there was no active short-term loans held with other lenders, and there was no indication of any insolvencies or any other public records – such as County Court Judgments – about which PDL Finance had been informed.

So, looking at things in the round, I don't think the results of the credit check PDL Finance carried out should have prompted further checks or prevented it from lending to Mr E.

And bearing in mind it wasn't an unusually large loan and it was repayable over a period of just six months, I don't think PDL Finance had any good reason to think Mr E's financial situation was likely to change significantly during the loan term such that he would experience difficulty making the monthly repayments as they fell due.

I understand Mr E says that his financial situation was worse than the information PDL Finance gathered at the time suggested. However, for the reasons I've explained, I think PDL Finance carried out proportionate checks even though it looks like some of the information it was provided with didn't tell the whole story. It relied, reasonably in my view, on the information it did have. And given the size of Mr E's monthly repayments, I don't think it was unreasonable of PDL Finance to grant the loan in question with all of that being the case.

I'm sorry to hear about the impact Mr E's wider financial situation has had on his mental health and I hope he is on the road to recovery. However, in summary, I think PDL Finance carried out reasonable and proportionate checks prior to agreeing to lend. And I don't think there was anything within the checks PDL Finance carried out that suggested to it that Mr E would struggle to afford the monthly repayments over the term of the loan.

#### Did PDL Finance act unfairly or unreasonably in some other way?

I've also considered whether PDL Finance acted unfairly or unreasonably in some other way given what Mr E has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think PDL Finance lent irresponsibly to Mr E or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 14 April 2025.

Ross Phillips  
**Ombudsman**