

The complaint

Miss F complains PDL Finance Limited trading as Mr Lender ("Mr Lender") gave her a loan she couldn't afford to repay.

What happened

A summary of Miss F's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number monthly instalments	largest repayment per loan
1	£300.00	17/09/2023	sold	6	£146.00

The loan was structured so that payments decreased each month.

Following Miss F's complaint about the sale of the loan, Mr Lender wrote to her to explain that it wasn't going to uphold her complaint. Unhappy with the outcome, Miss F referred the complaint to the Financial Ombudsman.

The complaint was then considered by an investigator, and she didn't uphold it because the checks were proportionate and showed Mr Lender that Miss F would likely be able to afford her repayments. She also said, the loan terms and interest rate were set out in the agreement and Mr Lender didn't charge more than it was allowed under the cost cap.

Miss F didn't agree with the outcome, saying;

- Mr Lender failed to consider the sustainability of the loan which was important given the high interest rate and Miss F's existing obligations.
- The high interest rate of the loan added to the financial pressure Miss F was under.
- Miss F had defaults and active County Court Judgements (CCJs) which ought to have been of concern to Mr Lender.
- At the time Miss F was financially vulnerable.

The investigator explained why these comments hadn't changed her mind and as no agreement has been reached, the case has been passed to me for 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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website. And I've used that to help me decide this complaint.

Mr Lender had to assess the lending to check if Miss F could afford to pay back the amount she'd borrowed, without undue difficulty. It needed to do this in a way which was

proportionate to the circumstances. Mr Lender's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss F's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Mr Lender should have done more to establish that any lending was sustainable for Miss F. These factors include:

- Miss F 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);
- Miss F 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);
- Miss F 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 for Miss F. The investigator didn't think this applied to Miss F's complaint and I agree, considering there was only one loan.

Mr Lender was required to establish whether Miss F could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss F was able to repay her loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss F's complaint.

Miss F has said that she may have wanted to submit further evidence for consideration, but she didn't let the investigation what it is that she wanted to send it and when it would be received. The deadline for further submissions has now passed, so I'm satisfied I have sufficient information to be able to come to a decision on the lending decision and so that is what I've done.

Miss F declared her monthly income was £3,500 – it doesn't look like Mr Lender checked or verified this in anyway, but for a first loan I think it was reasonable for Mr Lender to have relied on what it was told by Miss F.

Miss F declared monthly outgoings of £1,314 – this was across a number of different categories including rent/mortgage, utilities, food, transport and other credit commitments to name a few. Based solely on the income and expenditure information Mr Lender gathered, it thought Miss F had enough disposable income to afford the largest repayment for the loan, and I would agree with this conclusion.

Miss F declared she didn't have any council tax payments and relatively small utilities and rent payments. Which in some situations may have led Mr Lender to question these values further. But in the circumstances of this complaint, Mr Lender was told Miss F lived at home with parents and so that would've been a reasonable explanation for these lower costs. As such, I don't think Mr Lender needed to scrutinise this information more closely.

Before the loan was approved, Mr Lender carried out a credit search and it has provided the Financial Ombudsman with a summary of the results it received from the credit reference

agency. I want to add that, although Mr Lender carried out a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard.

Having looked at the credit results, there wasn't anything in my view, that would've led Mr Lender to have carried out further checks.

It knew Miss F wasn't insolvent either through an Individual Voluntary Arrangement, bankruptcy or a CCJ within the three years preceding the loan. In addition, it was also told that Miss F had an outstanding "AAI" loan which is another name for payday loan. As there was only one outstanding that wouldn't have been enough to have prompted Mr Lender to carry out further checks.

Miss F has said that she had active defaults and CCJs at the time – and I know from another complaint that she did have defaults and a CCJ which were recorded in 2019. But that information wasn't reflected in the data Mr Lender received from the credit reference agency. As it was the first loan – I'm of the view that it was reasonable for Mr Lender to have relied on the results of the credit search as there was no indication that it was in anyway inaccurate.

I don't think the information Miss F declared (or what Mr Lender received from the credit reference agency) would've prompted Mr Lender to have checked the information it was given by Miss F. This means I don't think it would've needed to have undertaken any further checks into Miss F's finances.

Miss F says she was in a financially vulnerable position at the time the loan was provided – and I am sorry to hear about this and I do hope things have improved for her. But unfortunately, that information wasn't reflected in either what she told Mr Lender or what Mr Lender discovered from carrying out proportionate checks. This means that Mr Lender couldn't take this into account when carrying out its affordability assessment.

An outstanding balance remains due that has been sold to a third-party collection agency, so Miss F may wish to contact the new debt owner to discuss a mutually agreeable way forward.

Overall, it was reasonable for Mr Lender to have relied on the information Miss F provided about her income and expenditure as well as the credit check results which showed sufficient disposable income to afford the repayments. I therefore do not uphold her complaint.

Other considerations

Miss F has raised some concerns around the cost of the loan. Miss F was provided with a payday loan and so this would be caught by the industry wide cost cap that was introduced by the regulator.

In the circumstances of this complaint, as Miss F was advanced £300 the most Mr Lender could collect would be £600. And I can see from the credit agreement, that had Miss F repaid the loan in line with the credit agreement she would've repaid Mr Lender just over £579 – so the original loan cost was under the cost cap. I accept this is an expensive loan – compared to mainstream credit providers but that isn't a reason to uphold the complaint.

Looking at the statement of account, I can see Miss F made her first two repayments before having difficulties making her final four payments. It seems that Mr Lender then added extra fees and charges taking Miss F's total liability up to £600 – which is the maximum it could collect under the cost cap.

Having reviewed the interest rate and the credit agreement, I can't say that either Mr Lender incorrectly applied the interest rate it would charge or has charged Miss F more than it is allowed to or should've done.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Mr Lender lent irresponsibly to Miss F or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons set out above, I do not uphold Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 2 May 2025.

Robert Walker
Ombudsman