

## The complaint

Miss S complains that PDL Finance Limited trading as Mr Lender ("Mr Lender") gave her loans without carrying out enough affordability checks.

## What happened

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

loan number	loan amount	agreement date	repayment date	number monthly instalments	largest repayment per loan
1	£200.00	18/02/2024	28/02/2024	6	£94.13
2	£300.00	02/03/2024	27/09/2024	6	£110

These loans were structured so that payments decreased each month.

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

The complaint was then considered by an investigator and in her latest assessment she didn't uphold the complaint. Miss S disagreed saying she had missed payments on other accounts before these loans were taken and she asked for an Ombudsman's review.

As no agreement could be 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 S could afford to pay back the amounts 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 S'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 S. These factors include:

- Miss S 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 S 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 S 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 S. The investigator didn't think this applied to Miss S's complaint and I agree, considering there were only two loans.

Mr Lender was required to establish whether Miss S could *sustainably* repay the loans – 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 S 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 S's complaint.

#### *Loan 1*

Miss S declared her monthly income was £2,250. However, Mr Lender initially said in the final response letter and its submissions that it didn't carry out any checks into Miss S's income. But later it said it used a tool used by one of the credit reference agencies that looks at account turn over.

It isn't clear and no evidence has been provided to show exactly what, if any, check were carried out into Miss S' income. But for a first loan it would've been reasonable for Mr Lender to have relied on what Miss S declared or the result of the cross-checking exercise. But whether or not this additional check was carried out wouldn't lead me to change the outcome.

Miss S declared monthly outgoings of £1,490 – 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 S had enough disposable income to afford the largest monthly repayment.

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. Mr Lender was also entitled to rely on the results it was given unless it had something else to suggest what it was told wasn't accurate.

Having looked at the credit result, there wasn't anything in my view, that would've led Mr Lender to have carried out further checks. It knew Miss S 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 S didn't have any outstanding "AA" loan(s) which is another name for payday lending.

Miss S has said she had missed payments on a car finance agreement and towards other creditors. It looks like, based on the evidence she has provided the car finance missed payments occurred after this loan had been taken and repaid so Mr Lender wouldn't have known of it.

Mr Lender's own credit checks didn't suggest there had been recent payment difficulties – such as missed payments but that doesn't mean there weren't any. I say this because it can take up to 60 days for missed payments to filter through to the credit reference agencies and so it's possible, Miss S did have missed payments, but this just wasn't visible to Mr Lender when it approved this loan. As such, it couldn't and wouldn't have known of any.

I don't think the information Miss S 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 S any further. This means I don't think it would've needed to have undertaken any further checks into Miss S's finances such as asking for bank statements.

I am therefore not upholding Miss S's complaint about the first loan.

## **Loan 2**

Miss S repaid the first loan much quicker than contracted for and without any obvious problems. So, while she did return for another loan fairly quickly after it had been repaid, I don't think that alone is sufficient to have said that Mr Lender needed to have carried out further checks.

Mr Lender carried out the same sort of checks for this loan as it had done for the first loan and I think that was proportionate. Mr Lender says it checked Miss S's income through the credit reference agency and this time it used a monthly income figure of £2,035. Mr Lender also asked for details of Miss S's monthly outgoings across the same categories as the first loan and she declared a similar figure to the one given for loan 1 - £1,412.

The credit search results have been provided, and these show the same sort of information as the first loan, there were no signs that Miss S was having or likely having financial difficulties at the time. And once again Mr Lender was told that Miss S didn't have any outstanding payday loans.

I've thought about what Miss S says but again, the missed car finance payment occurred after the loan had been granted. And while she's provided copy bank statements, I don't think it had reached the point where Mr Lender needed to verify what she was saying. Obtaining bank statements at this point in the relationship would've been disproportionate.

Overall, it was reasonable for Mr Lender to have relied on the information Miss S provided about her income and expenditure as well as the credit check results which showed sufficient disposable income to afford the repayments.

I am therefore not upholding Miss S's complaint.

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 S 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 S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 24 July 2025.

Robert Walker  
**Ombudsman**