

## **Complaint**

Mr S is unhappy PDL Finance Limited (trading as “Mr Lender”) provided him with a high-cost short-term credit instalment loan. He says that it didn’t carry out any checks before providing him with this unaffordable loan.

## **Background**

This complaint centres around the provision of a high-cost short-term credit instalment loan. Mr Lender provided Mr S with a loan for £500 in December 2014. This loan was to be paid in six monthly instalments, with the amount of the highest instalment being around £216.

One of our investigators looked at Mr S’ complaint and eventually reached the conclusion that he didn’t think that Mr Lender had done anything wrong or treated Mr S unfairly. So she didn’t recommend the complaint be upheld.

Mr S disagreed and asked for an ombudsman to look at his case.

## **My findings**

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 the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Mr S’ case.

Having carefully considered everything, I’m not upholding Mr S’ complaint. I’d like to explain the reasons for my decision in a bit more detail.

Mr Lender needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Mr Lender needed to carry out proportionate checks to be able to understand whether Mr S could afford to make the monthly repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Mr Lender provided Mr S with a single loan which was due to be repaid in six monthly instalments. As I understand it, Mr Lender will have asked Mr S to confirm his monthly income and expenditure and it will also have taken steps to cross-check some of this information. The cross-checking is likely to have taken place with the use of credit checks. I

think that these credit checks are likely to have been carried out, bearing in mind Mr S' signed credit agreement provides Mr S' consent to this.

Mr Lender says that the information it will have gathered will have suggested that the loan repayments were affordable and that it was reasonable to lend. On the other hand, Mr S says that there were no checks and that he shouldn't have been lent to.

Mr S says the information Mr Lender based its decision on didn't accurately reflect his actual financial position and he has provided copies of his bank statements to show this.

But I have to think about what Mr S has said in the context of this being an application for first loan involving a relatively small amount. And, in these circumstances, I don't think that it would have been proportionate for Mr Lender to have carried out the degree of verification Mr S has suggested.

Indeed, I note that a number of the payday loans Mr S has relied on in his arguments, were taken just before this loan and therefore will not have shown up on credit checks, which can take up to 90 days to update. So I don't think that Mr Lender will have known about Mr S' history of payday loans, or could quite reasonably have expected that Mr S would take out further payday loans going forward.

For a loan of this amount and with monthly repayments of this amount, I wouldn't have expected Mr Lender to do much more than simply ask Mr S about his income and expenditure. And I wouldn't have expected it to have asked Mr S to provide supporting evidence, such as bank statements, before providing a first loan for this amount.

Having considered Mr S' income and what his living costs were at the time, I think that Mr Lender was reasonably entitled to lend to Mr S. Indeed, while Mr S has referred to using his overdraft, Mr Lender won't have known this. Equally, there isn't a prohibition on lending to a customer who is using their overdraft, particularly where a first loan is being provided.

So, while I'm sorry to hear that Mr S has had difficulty repaying this loan, I don't think it would have been reasonable or proportionate for Mr Lender to have requested the information that would have shown why Mr S might have had difficulties repaying this loan. And bearing in mind the circumstances here, I think that Mr Lender was reasonably entitled to rely on the information it is likely to have had and therefore its decision to lend wasn't unreasonable.

As this is the case, I don't think that Mr Lender did anything wrong when deciding to lend to Mr S. In my view, Mr Lender is more likely than not to have carried out proportionate checks and reasonably relied on what it found out which, the information provided now, will have suggested the loan repayments were affordable.

I've also thought about what Mr S has said about pressured into taking this loan. But the emails Mr S has referred to simply notified him that his loan wouldn't be processed until he signed his credit agreement. I don't agree that these emails left Mr S with no choice other than to take this loan, which is effectively what I'd need to be persuaded of in order to uphold this complaint on the basis that Mr Lender pressured Mr S into taking a loan that he didn't, at the time at least, want.

In reaching my conclusions, I've also considered whether the lending relationship between Mr Lender and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Mr Lender irresponsibly lent to Mr S or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall I don't think that Mr Lender treated Mr S unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 May 2025.

Jeshen Narayanan  
**Ombudsman**