DRN-5490397

The complaint

Mr D complains that PDL Finance Limited trading as Mr Lender lent to him when he could not afford it.

What happened

Here is a table which summarises the lending.

Loan	Approved	Amount	Terms	Status
1	12 April 2024	£300	6 months	29 April 2024
2	12 May 2024	£500	12 months	In January 2025 DMP

Mr D repaid the first loan quickly in two early repayments and overall paid £18.40 in interest.

Mr D has said that when he complained he was repaying the last loan through a Debt Management Plan (DMP) and he said:

> *'The repayments to your company left with insufficient funds, forcing me to borrow from other lenders to cover your loan. the frequency and pattern of my borrowing should have indicated that my debt problems were worsening.'*

The repayment schedules for the loans listed different repayment amounts for each month. The highest repayment due on Loan 1 was £112 and for Loan 2 it was £109. But this does not mean Mr D had to pay that much each month. The other instalments were less than these in a reducing scale.

In February 2025 Mr D still owed around £284 on Loan 2. He had been repaying it at a rate of around £13 a month.

After Mr D had complained, Mr Lender sent its response in January 2025 followed by Mr D referring his complaint to the Financial Ombudsman Service. One of our investigators considered the complaint and did not think that Mr Lender needed to put things right for Mr D. He disagreed and the complaint was passed to me to decide.

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.

Mr Lender had to assess the lending to check if Mr D could afford to pay back the amount he'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 several different things, such as how much was being lent, the size of the repayments, and Mr D's income and expenditure.

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 Mr D. These factors include:

- Mr D 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);
- Mr D having many loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr D 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 a customer. But I don't consider that this applied to Mr D's circumstances as he took two loans and so no pattern developed.

Mr Lender was required to establish whether Mr D could *sustainably* repay the loan – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr D was able to repay his loans 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 Mr D's complaint.

Mr D had told Mr Lender his income was between £4,200 and £4,300 after tax each month. Mr Lender has explained that it used one of the mainstream credit reference agencies (CRAs) to verify that income and was satisfied this was broadly correct.

The table here shows what information Mr Lender had about Mr D for Loan 1. And Mr Lender cross referenced these figures with the Office of National Statistics (ONS) data to satisfy itself on accuracy.

Net income	£4,200
Mortgage/rent	£900
Electricity/gas/water	£62
Food/travel	£257
Telecommunications	£19
Council Tax	£115
Loans (**inc short term**)	£1,200
Other regular outgoings	£50
Total expenditure	**£2,603**
Disposable income	**£1,597**

So, it looked as though Mr D was able to afford this loan considering his disposable income was £1,597.

Mr Lender carried out a CRA check and that showed it Mr D was not bankrupt, had not been in an IVA, and had no County Court Judgments registered, in the previous three years. He had no outstanding advance against income loans – often referred to as payday loans. So, Mr Lender's research showed it that Mr D didn't have any credit or repayment problems when he took the loan. These checks were proportionate. I have made some additional points about the Mr Lender credit search later in this decision but it makes no difference to my decision – I do not uphold the complaint about Loan 1.

When Mr D applied for Loan 2, about two weeks after repaying Loan 1 early, the information it gathered from Mr D, and from its own research was much the same as for Loan 1. His income after tax had been given to it as a little higher at £4,300 a month. And his loans repayment figure was a little higher at £1,300 a month. The total expenditure came to around £2,685 and so Mr Lender calculated that Mr D had around £1,615 left over after he'd paid everything down. The credit search it carried out was much the same and not likely to have differed much as the applications for Loan 1 and Loan 2 were close together.

So, both loans looked affordable. Mr Lender would have used the good repayment history Mr D had demonstrated for Loan 1 as part of its assessment for Loan 2.

Mr D has said that it would have been obvious to Mr Lender that he was applying for the second loan to pay off the first loan. But I disagree. There was a 12 day gap between them.

I do find the Mr Lender annotated summary of its credit search reports brief. Mr D has sent to us a copy of his personal credit report dated December 2024. I reviewed it to look to see some more detail as to what the CRA search Mr Lender did in April 2024 and May 2024 may have revealed. There was nothing to indicate concern on Mr D's personal report. The adverse data in 2024 were after these two Mr Lender loans were approved. There was some adverse repayment history in 2021 but this was too far in the past for it to have been a concern to Mr Lender in early 2024. There were no records of any insolvencies or Judgment debts. So, despite the Mr Lender credit search summary sent to us being brief it appears to reflect an accurate picture.

Overall, I consider that Mr Lender carried out proportionate checks for both loans. Mr Lender would have had no need or impetus to carry out additional checks. Mr Lender did not lend irresponsibly. I do not uphold the complaint.

My final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 October 2025.

Rachael Williams
Ombudsman