

## **The complaint**

Mr W complains PDL Finance Limited trading as Mr Lender (“Mr Lender”) gave him a loan without carrying out sufficient affordability checks. Had better checks been made it would’ve seen the loan wasn’t affordable for him.

## **What happened**

Mr W was granted an instalment loan of £200 in June 2024. He was due to make six variable monthly payments of between £77.22 and £40.88. Based on the most recent information, Mr W has an outstanding balance that is being repaid through a repayment plan. But it’s possible the balance has now been repaid.

Following Mr W’s complaint, Mr Lender wrote to him to explain that it wasn’t going to uphold the complaint. Mr W then referred the complaint to the Financial Ombudsman.

An Investigator then considered the complaint, and they didn’t uphold it because they were satisfied proportionate checks were conducted which showed the loan was affordable for Mr W.

Mr W didn’t agree and I’ve summarised his response below.

- At the time of lending Mr W was reliant on existing payday loans for his day-to-day costs.
- Mr W was also gambling that impacted his financial position – which Mr Lender would’ve known about had it conducted more detailed checks.
- The disposable income Mr Lender calculated wasn’t a true reflection of Mr W’s actual financial position.
- Mr W had applied for a larger loan and Mr Lender offered a smaller amount.
- If Mr W had the amount of disposable income calculated, then why would he have taken the loan.

Mr W’s comments didn’t change the Investigator’s mind about the complaint 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 Mr W 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 a

number of different things, such as how much was being lent, the size of the repayments, and Mr W'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 Mr W. These factors include:

- Mr W 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 W 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);
- Mr W 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 Mr W. The investigator didn't think this applied to Mr W's complaint and I agree, considering only one loan was granted.

Mr Lender was required to establish whether Mr W 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 W 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 W's complaint.

Mr W declared his monthly income was £2,600. For a first loan I think it was entirely proportionate of Mr Lender to have relied on what Mr W told it about his income when taken with the amount of credit that was advanced.

Mr W declared monthly outgoings of £2,256 – 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, Mr W had enough disposable income to afford the largest repayment for the loan.

I've not seen the amount Mr W said he was originally applying for – rather he says Mr Lender offered a smaller sum. This may well have been because it had some concerns about whether a larger loan was affordable for him. But if it did reduce the amount lent than that is something I would've expected – because I don't think it would be fair or reasonable for a lender to provide funds to someone it suspects couldn't afford the repayment.

Mr Lender also 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 Mr W wasn't insolvent either through an Individual Voluntary Arrangement or a bankruptcy. He also didn't have any County Court Judgements within the three years preceding each loan.

In addition, it was also told that Mr W didn't have any other outstanding "AA" loans which are more commonly referred to as payday loans, There was no indication that Mr W was reliant on this sort of credit.

I appreciate Mr W says he was – but the credit search results given to Mr Lender didn't indicate that. Mr Lender wasn't aware of the other payday loans that Mr W may have had outstanding at the time, it wouldn't be in a position to make adjustments to its affordability assessment.

I don't think the information Mr W 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 Mr W. This means I don't think it would've needed to have carried out any further checks such as reviewing his bank statements.

I accept that the information Mr W provided may not have been an entirely accurate reflection of his circumstances at the time. But for a first loan and given the lack of any adverse payment information Mr Lender was told about then it was entirely fair and reasonable for it to have relied on his declarations which showed the loan was affordable.

I'm sorry to hear that at the time Mr W was gambling which made his financial position even more precarious. But given the amount advanced to Mr W it would've in my view been disproportionate for Mr Lender to have reviewed his bank statements. As such, there wasn't any way of it knowing about these transactions.

Mr W has said that he has repaid enough to have repaid the capital and all that remains is the interest that was due. I've looked at the agreement, and Mr Lender isn't charging him more than 100% of the amount borrowed – which is what it is allowed to charge under the cost cap that the regulator put into place. As such I'm not making any award.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Mr Lender lent irresponsibly to Mr W or otherwise treated him 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.

An outstanding balance remains due, and I would remind Mr Lender of its regulatory obligation to treat Mr L fairly and with forbearance.

### **My final decision**

For the reasons given above, I am not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 February 2026.

Robert Walker  
**Ombudsman**