

Complaint

Miss H has complained about high-cost short-term credit (“HCSTC”) instalment loan she took out with PDL Finance Limited (trading as “Mr Lender”). She says she already had a significant amount of existing debt and relying heavily on credit. So this loan was unaffordable.

Background

Mr Lender provided Miss H with a single loan for £300 in February 2023. The loan was due to be repaid in monthly instalments of £125.40 in March 2023, £125.40 in April 2023, £108.60 in May 2023 and finally £91.80 in June 2023.

One of our investigators reviewed what Miss H and Mr Lender had told us. She thought that Mr Lender had carried out proportionate checks before agreeing to lend to Miss H and as these checks suggested that the loan repayments were affordable it wasn’t unreasonable for it to provide this loan.

Miss H disagreed and asked for an ombudsman to look at her complaint.

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 explained how we handle complaints about short term lending on our website. And I’ve used this approach to help me decide Miss H’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not intending to uphold Miss H’s complaint. I’d like to explain why in a little more detail.

Miss H was provided with a high-interest loan, intended for short-term use. So Mr Lender needed to make sure that it didn’t provide it irresponsibly. In practice, what this means is that Mr Lender needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss H before providing it.

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 that information – 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 says it agreed to Miss H’s application after she’d provided details of her

monthly income and expenditure and it carried out a credit check on her. It says the information Miss H provided on her income and expenditure showed that she'd be able to comfortably make the repayments she was committing to. And in these circumstances, it was reasonable to lend. On the other hand, Miss H says that the loan was unaffordable for her.

I've carefully thought about what Miss H and Mr Lender have said. The information provided does suggest that Miss H was asked to provide details of her income and expenditure. Mr Lender didn't just accept Miss H's declarations at face value, it carried out credit searches. I also understand that Mr Lender took steps to validate Miss H's declared income using information from credit reference agencies on the amount of funds going into her main bank account each month.

Bearing in mind the amount of the monthly repayment, the questions Mr Lender asked Miss H, it taking account of what the credit check showed and this was Miss H's first loan, I don't think it was unreasonable for Mr Lender to rely on the information Miss H provided.

I accept that Miss H's actual circumstances may not have been reflected either in the information she provided, or the other information Mr Lender obtained. I'm sorry to hear that Miss H was struggling and this resulted in her having difficulty in repaying this loan. However, Mr Lender didn't know this and it could only make its decision based on the information it had available at the time.

Furthermore, at this stage of the lending relationship, I don't think proportionate checks would've extended into Mr Lender asking Miss H to provide evidence such as bank statements to verify what she had declared. Equally it's only really fair for me to uphold a complaint where I can safely say a lender did something wrong. And, in this case, I don't think that Mr Lender did anything wrong in deciding to lend to Miss H - it carried out reasonable checks even though it's possible, given what Miss H says now, the information may have been inaccurate.

Mr Lender took steps to validate Miss H's income and check her existing credit commitments. It then reasonably relied on the information it had and given the amount of the repayments involved and this being a first loan, I don't think it was unreasonable for Mr Lender to lend in these circumstances.

In my view, the presence of some other HCSTC that may or may not have shown up as such – which isn't unusual in this sector of the market - isn't enough for me to agree that Miss H shouldn't have been lent to in any circumstances. Neither is the fact that Miss H may have been using an overdraft at this stage either. This is especially as there isn't a prohibition on a lender lending in such circumstances and most importantly the rest of the information gathered indicated that it was more likely than not that Miss H would be able to sustainably repay this loan.

In reaching my conclusions, I've also considered whether the lending relationship between Mr Lender and Miss H might have been unfair to Miss H under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I'm not persuaded that Mr Lender irresponsibly lent or treated Miss H unfairly bearing in mind all of the circumstances. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I'm satisfied that Mr Lender acted fairly and reasonably when agreeing to lend to Miss H. And I'm therefore not upholding Miss H's

complaint. I appreciate that this will be very disappointing for Miss H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 17 November 2025.

Jeshen Narayanan
Ombudsman