

The complaint

Mr M complains that PDL Finance Limited trading as Mr Lender (“Mr Lender”) gave him loans without carrying out sufficient affordability checks.

What happened

A summary of Mr M’s borrowing can be found below.

loan number	loan amount	loan date	repayment date	number of monthly instalments	highest repayment per loan
1	£200.00	05/01/2024	19/01/2024	6	£73.23
gap in lending					
2	£400.00	07/11/2024	27/11/2024	3	£197.33
3	£400.00	06/02/2025	03/03/2025	3	£293.33

Following Mr M’s complaint about the loans, Mr Lender wrote to him to explain that it wasn’t going to uphold the complaint as it had conducted proportionate checks. Mr M then referred the complaint to the Financial Ombudsman.

An Investigator considered the complaint, and they didn’t uphold it. Mr M didn’t agree, and I’ve summarised his response below.

- Between October and November 2024 Mr M was in the Government Breathing Space scheme – this occurred after he received help from a debt adviser.
- Mr M had a number of payment arrangements in place at the time with other creditors.
- At the time of borrowing Mr M’s debt exceeded £8,000 and his monthly payments were more than £600 per month.
- The interest rate charged by Mr Lender is excessive.
- Mr Lender shouldn’t have solely relied on the figures provided by Mr M and the figures given weren’t entirely accurate or representative of his situation.

Mr M’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 M could afford to pay back the amounts 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 M'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 M. These factors include:

- Mr M 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 M 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 M 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 M. The investigator didn't think this applied to Mr M's complaint and I agree, considering the number of loans granted and the gap in borrowing.

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

I'm going to firstly deal with what Mr M has said about the interest rates applied by Mr Lender as he says they are excessive and too high. The industry regulator put in place a cost cap for this type of lending which in effect limited Mr Lender to being able to charge 100% of the amount borrowed. So, for example, for loan 3, the most Mr Lender could collect would be £800.

I've checked the credit agreements for each loan, and they all comply with the cost cap. I accept that these loans have a higher interest rate than what could be obtained from, say, a high street bank but ultimately, the amount charged by Mr Lender and what it could charge for credit has been set by the regulator and so it's not made an error in relation to this.

Mr Lender broadly carried out the same sort of checks before each loan – which I think were proportionate. This is especially so given that the lending occurred in two chains due to the significant gap between loans 1 and 2. As such, when Mr M approached Mr Lender for loan 2, Mr Lender was entitled to treat him as if he was a brand-new customer – this isn't unreasonable and would have a bearing on the checks which were carried out.

Mr Lender asked Mr M about his income and he told it that he earned £1,900 per month when loan 1 was granted and then £2,070 per month for loans 2 and 3. Mr Lender didn't take any steps to cross check the declared income for loans 1 and 2 and I think that was reasonable given they were the first loans of new lending chains.

However, for loan 3, Mr Lender cross checked the information through a tool provided by a credit reference agency – this check showed what Mr M had declared was accurate. This is in my view a proportionate check and Mr Lender could have relied on the results it received.

For loans 1 and 2 Mr Lender solely relied on the expenditure information given to it by Mr M. I think that was reasonable given these were the first loans Mr M had taken. In total, Mr M declared monthly outgoings of no more than £1,296. Based solely on the income and expenditure information for loans 1 and 2 Mr Lender gathered, Mr M had enough disposable income to afford the largest repayment for the loans.

However, for loan 3, Mr Lender carried out further checks and this time it crossed check the information it received against data from Mr M's credit file as well as data held by the Office of National Statistics. Taking account of the information that it gathered from Mr M and the results of these checks – it worked out Mr M's outgoings were £1,150 per month leaving around £920 per month in disposable income.

Mr M has also said that his total credit commitments were around £600 per month – the data used for loan 3 – the one that was cross checked showed that Mr Lender believed Mr M's commitments were £400 per month. While this isn't as high as what Mr M says he had – given the amount of disposable calculated there would've been enough left over even if Mr Lender had used the £600 per month figure.

This in my view was a proportionate check because Mr M had returned for further borrowing and so it was right that Mr Lender took additional steps to cross check the information he had provided.

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.

This does mean that the information Mr Lender received may not have been as detailed as what Mr M can possibly see in his own credit report. And Lender may have only asked very specific questions of the agency about the sort of information that it wanted to see.

And I know from what Mr M has told us that towards the end of 2024 he had difficulties to the extent that he went onto the government backed Breathing Space scheme. Having looked at this more closely, this scheme wouldn't have appeared within a credit search result as a standalone entry so Mr Lender wouldn't have known about it. But, of course, within the results there may have been indications that Mr M was having difficulties – to the extent that he had to reach out for support.

What this does mean is that while Mr M may have had total debts of around £8,000 it doesn't look like, based on what has been provided, that Mr Lender made enquiries with the credit reference agency to understand the total amount of debt a consumer may have. Of course, that could potentially be inferred from the monthly credit commitments payment but isn't a guarantee. But as I said, there is no requirement for Mr Lender to ask for or receive specific information from the credit reference agencies I therefore can't uphold the complaint for this reason.

I've taken a look at the credit search results for each loan application and Mr Lender was told that for each application Mr M hadn't been insolvent, or in a County Court Judgement within the last three years.

Mr Lender was told for loan 1 only that there was at least one other outstanding payday loan at the time Mr Lender advanced the loan. But the presence of one outstanding loan wouldn't have been sufficient to trigger further checks from Mr Lender.

The results don't show any significant adverse payment information – I can't reconcile this with the difficulties Mr M has said he was having at the end of 2024. But this could be down to certain lenders only reporting to certain credit reference agencies and those weren't the ones used by Mr Lender when conducting the affordability checks. Whatever the reason was Mr Lender, didn't receive information that indicated Mr M was in any financial difficulties. As such, it was entitled to rely on what it was told and proceed on the basis that Mr M wasn't likely having difficulties.

I accept that the information Mr M provided about his circumstances may not have been an entirely accurate reflection of his circumstances at the time. But given the number of loans and the monthly repayments, and the lack of any adverse payment information, then it was entirely fair and reasonable for it to have relied on these results.

Finally, there also wasn't anything to suggest that Mr M was currently having financial difficulties or that the loan repayments would be unsustainable for him. It therefore follows that I can't uphold Mr M's complaint about the loans.

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 M 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.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 February 2026.

Robert Walker
Ombudsman