

The complaint

Miss D complains PDL Finance Limited trading as Mr Lender (“Mr Lender”) gave her loans which weren’t affordable. This led to her struggling to repay what she had borrowed.

What happened

A summary of Miss D’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£300	31/05/2024	18/10/2024	6	£112.40
2	£500	21/12/2024	20/06/2025	6	£143.33

Each of Miss D’s loans had descending payment amounts, meaning each month Miss D would pay Mr Lender less than she’d paid the month before. For example, for loan 1 Miss D’s sixth and final payment was scheduled to be £62.80.

Following Miss D’s complaint, Mr Lender gave reasons as to why it wasn’t upholding the complaint. Miss D then referred the complaint to the Financial Ombudsman.

An Investigator then considered the complaint, and in the latest assessment they didn’t uphold it because they were satisfied proportionate checks were conducted which showed the loans were affordable for Miss D. Miss D didn’t agree and provided a copy of her credit report which showed that she had other payday loans outstanding and had a number of defaults.

The 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 Miss D could afford to pay back the amounts she’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 Miss D’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 Miss D. These factors include:

- Miss 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);
- Miss D 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);
- Miss 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 Miss D. The Investigator didn't think this applied to Miss D's complaint and I agree, considering only two loans were granted.

Mr Lender was required to establish whether Miss D could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss D was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

Having looked at the checks Mr Lender carried out I'm satisfied they were proportionate and demonstrated to it Miss D would likely be able to afford her loan repayments – I've explained why below.

For both loans Mr Lender relied upon Miss D's self-declared income – which she declared as being £1,6992 and £1,660. For the first two loans I do think this check was proportionate given the amounts advanced.

For loan 1, Miss D declared monthly outgoings of £1,323 – this was across a number of different categories including rent/mortgage, food, transport and other credit commitments to name a few. Based solely on the income and expenditure information Mr Lender gathered for loan 1, Miss D had enough disposable income to afford the largest repayment for the loan.

For loan 2, Miss D's declared expenditure was cross checked using information from the Office of National Statistics as well as data gathered from her credit file. And then it used whatever figure was higher – for each category - either what Miss D had declared or what the cross checking showed. For this loan, it used a slightly larger monthly outgoings figure of £1,389. However, the repayments for the second loan still appeared affordable.

Mr Lender also carried out credit searches, 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 specific standard it had to adhere to.

What this does mean is that Mr Lender's credit check results may not show as much detail as what can be seen in the personal credit report provided by Miss D but that doesn't mean her complaint ought to be upheld. What Mr Lender did was conduct a credit search and it then needed to react to the information it was given - if necessary.

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 Miss D wasn't insolvent either through an Individual Voluntary Arrangement or a bankruptcy within the previous three years. She also didn't have any County Court Judgements within the three years preceding each loan application.

For loan 1, Mr Lender was told that Miss D didn't have any other outstanding "AA/" loans which are more commonly referred to as payday loans. So, there was no indication that Miss D was reliant on this sort of credit. For loan 2, Mr Lender was told that Miss D had one outstanding payday loan at the time.

But Miss D has provided screen shots to show that she actually had two at the time. And both of these were accounts she had started to struggle to repay – one had a missed payment from November 2024 and one entered arrears in December 2024.

In saying that Mr Lender could only react to the information it was provided by the credit reference agency and the information it had showed only one outstanding payday loan. There are a number of reasons why only one may have shown. It's possible that one of the other lenders used a different credit reference agency to the one used by Mr Lender and so it wouldn't have known about it. Or, it's equally possible that the other creditor's record hadn't yet filtered through on to Miss D's credit report. Whatever the reason, I'm satisfied Mr Lender only knew about 1 payday loan and that wouldn't be enough to suggest Miss D was reliant on this sort of credit.

It's also worth saying that when Miss D approached Mr Lender for the second loan it could take account of the repayment history for the first loan and there wasn't any indication that Miss D struggled to pay the loan.

I'm sorry to hear that Miss D had difficulties repaying her final loan but her financial difficulties weren't apparent in either the information she gave to Mr Lender nor in what Mr Lender cross checked. As such I do think it was reasonable for Mr Lender to have provided these loans because in my view it carried out a proportionate check.

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 Miss D or otherwise treated her 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 Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 9 March 2026.

Robert Walker
Ombudsman