

The complaint

Mr S complains PDL Finance trading as Mr Lender irresponsibly lent to him.

What happened

PDL Finance provided Mr S with one loan as follows:

Date of Sale	Loan Amount	Interest rate (p/a)	Largest Monthly Repayment	Number of Instalments (months)	Total amount repayable	Date of settlement
05/11/2020	£200	292%	£98.93	6	£385.51	26/02/2021

In November 2024, Mr S complained to PDL Finance about its decision to lend. In doing so, Mr S said, amongst other things, that PDL Finance *“failed to meet [its] obligations as a responsible lender.”* Mr S went on to say that he was *“battling a gambling addiction at the time...and the funds provided exacerbated [his] addiction and contributed to [his] worsening financial situation”*.

Mr S also said that, on the same day he applied for the lending in question, he had taken out three loans with others payday lenders totalling £1,690 which would have been apparent to PDL Finance through its Open Banking check. What’s more, Mr S said that PDL Finance would have been aware that he had *“exceeded his arranged overdraft limit, there were direct debit reversals for utility bills and numerous transactions related to both online and land-based gambling operators”*.

In December 2024, PDL Finance issued its final response letter in which it did not uphold the complaint. In doing so, it said it carried out proportionate checks prior to agreeing to lend, and the output from those checks suggested the loan would have been affordable for Mr S.

Unhappy with this, Mr S referred his complaint to our service.

One of our investigators reviewed Mr S’s complaint. But they didn’t think PDL Finance had treated Mr S unfairly, and so they didn’t recommend that the complaint be upheld. In doing so, the investigator said that PDL Finance conducted reasonable and proportionate checks prior to agreeing to lend and it made a fair lending decision based on the information it gathered as a result of those checks.

Mr S didn’t agree with the investigator’s findings and so the complaint was passed to me to review afresh.

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.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account

along with everything else I need to consider, I don't think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Mr S. I hope my explanation helps him to understand why I've come to this conclusion.

PDL Finance needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr S could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did PDL Finance carry out reasonable and proportionate checks to satisfy itself that Mr S was likely to have been able to repay the borrowing in a sustainable way?
 - i. If PDL Finance carried out such checks, did it lend to Mr S responsibly using the information it had?

Or
 - ii. If PDL Finance didn't carry out such checks, would appropriate checks have demonstrated that Mr S was unlikely to have been able to repay the borrowing in a sustainable way?
2. If relevant, did Mr S lose out as a result of PDL Finance's decision to lend to him?
3. Did PDL Finance act unfairly or unreasonably in some other way?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr S was applying for along with the size, length and cost of the borrowing; and
- Mr S's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr S's complaint.

Did PDL Finance carry out reasonable and proportionate checks?

Prior to agreeing to lend, Mr S was asked to provide details of his net monthly income. Mr S declared his net monthly income was £1,300. PDL Finance also asked Mr S about his regular monthly outgoings. This included his rent/mortgage, bills, food shopping, travel, and the cost of any other loans. Mr S's declared monthly spending came to £1,058.

It wasn't a particularly large loan, and the monthly repayments were not particularly substantial in relation to Mr S's declared income. And it was repayable over a reasonably short period of time. Further, this appears to have been Mr S's first loan with PDL Finance. As such, I don't think there was any established pattern in his borrowing needs, at least from PDL Finance, at that stage. Therefore, I think it was reasonable of PDL Finance to have relied on the information Mr S had provided

PDL Finance also carried out a credit search and it has provided the results it received from the credit reference agency. It is worth saying here that although PDL Finance carried out a credit search there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what PDL Finance couldn't do is carry out a credit search and then not react to the information it received – if necessary.

With all of this in mind, I think PDL Finance proceeded with a proportionate amount of information. However, as I've said before, once PDL Finance had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Mr S could afford to meet the loan repayments in a sustainable way over the term of the loan.

Did PDL Finance lend to Mr S responsibly using the information it had?

Using the information Mr S declared about his financial circumstances, it looked like he had £242 disposable income per month. So, PDL Finance was satisfied that the loan repayments for this loan should've been affordable for Mr S on a simple pounds and pence basis.

As I've said, PDL Finance also carried out a credit check. And although the credit search results PDL Finance has sent to us are brief, it indicates that it had no reasons to be concerned. The results suggested there was no active short-term loans held with other lenders, and there was no indication of any insolvencies or any other public records – such as County Court Judgments – about which PDL Finance had been informed.

So, looking at things in the round, I don't think the results of the credit check PDL Finance carried out should have prompted further checks or prevented it from lending to Mr S.

And bearing in mind it wasn't an unusually large loan and it was repayable over a period of just six months, I don't think PDL Finance had any good reason to think Mr S's financial situation was likely to change significantly during the loan term such that he would experience difficulty making the monthly repayments as they fell due.

I understand Mr S says that his financial situation was worse than the information PDL Finance gathered at the time suggested including, but not limited to, taking out payday

lending elsewhere, exceeding his agreed overdraft limit and reversal of Direct Debits for important bills. I accept that a more forensic analysis of Mr S's financial situation – such as a granular review of his bank statements from the time or similar – may have revealed this to be the case. However, for the reasons I've explained, I think PDL Finance carried out proportionate checks even though it looks like some of the information it was provided with didn't tell the whole story. It relied, reasonably in my view, on the information it did have. And given the size of Mr S's monthly repayments, I don't think it was unreasonable of PDL Finance to grant the loan in question with all of that being the case.

Did PDL Finance act unfairly or unreasonably in some other way?

In his submissions to our service, Mr S said that he found it “*deeply frustrating and upsetting*” that PDL Finance pointed to a tick-box question at the time of the application which asked, ‘*Are you currently suffering from a gambling, alcohol or drug addiction?*’. Mr S said that “*individuals suffering from gambling addiction often don't recognise their addiction at the time—they are typically high-functioning and vulnerable, and questions like this do little to safeguard their wellbeing*”. In the event, Mr S answered ‘No’ to this question at the point of application.

Whilst I understand the point Mr S is making here, I do not agree that the purpose of asking this question at the point of application is to provide a “*legal defence in the event of complaint*” for PDL Finance” rather than as an attempt to protect customers as Mr S has suggested. In my view it is intended to provide PDL Finance with a means of gaining awareness of any factors which may require it to make reasonable adjustments or otherwise refuse lending altogether.

I'm sorry to hear that Mr S was struggling with a gambling addiction at the time. However, in order to say that PDL Finance acted unfairly I would need to be satisfied that it either knew or should reasonably have known this about Mr S' circumstances. And, from everything I've seen, I'm not persuaded that it did or should have known. This is because, as I've said, I don't think it would have been reasonable or proportionate in the specific circumstances of this case for PDL Finance to have conducted further checks before lending (this would have been the only reasonable way it could have known).

To be clear, I do not doubt Mr S's testimony that he was in the midst of a gambling addiction at the time he applied for the loan – rather I find that the checks PDL Finance carried out, which were reasonable and proportionate in my view, would not have shown that to be the case when he applied.

I hope Mr S now has the support he needs. If not, Mr S could contact Step Change on 0800 138 1111 or National Debtline on 0808 808 4000 for advice about financial difficulties. And if he needs help to manage his gambling, he could contact GamCare on 0808 802 0133.

Whilst I accept this will come as a disappointment to Mr S, I think PDL Finance carried out reasonable and proportionate checks prior to agreeing to lend. And I don't think there was anything within the checks PDL Finance carried out that suggested to it that Mr S would struggle to afford the monthly repayments over the term of the loan.

In reaching this decision, I've also considered whether PDL Finance acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think PDL Finance lent irresponsibly to Mr S or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A

or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 February 2026.

Ross Phillips
Ombudsman