

## complaint

Miss R complains PDL Finance Limited (trading at the time of sale as “Mr Lender”) lent her money she couldn’t afford to repay.

## background

Miss R took out 8 loans with Mr Lender. The first loan was taken out in 2010 and both parties have agreed that this loan (loan 1) is not part of Miss R’s complaint. Miss R then took out a further 7 loans. These are:

Loan	date loan approved	amount	instalments	monthly repayment	date repaid
2	27.03.2012	£200	1	£250	02.04.2012
3	22.06.2012	£150	2	£195	21.07.2012
4	23.07.2012	£220	1	£286	16.08.2012
5	11.09.2012	£150	1	£195	31.01.2013
6	23.02.2013	£100	1	£107	28.02.2013
7	13.03.2013	£300	1	£390	18.03.2013
8	08.04.2013	£300	1	£390	30.01.2014

Miss R deferred payment of loan 5 and loan 8 on 8 occasions (4 roll overs on each loan).

The adjudicator recommended that Miss R’s complaint be upheld. She said Mr Lender should have carried out further checks on all 7 loans and if it had, it would have seen that Miss R wouldn’t have been able to afford the repayments on the loans. So she upheld Miss R’s complaint.

Mr Lender did not agree with the adjudicator’s view. It said that loans 2, 3, 5 and 6 were for smaller amounts of between £100 and £200 with low interest amounts being applied. It said that it had carried out proportionate checks for these loans and there was no evidence at the time of sale for these loans that Miss R was in any financial difficulty. It said it was willing to refund the interest on loans 4, 7 and 8. Miss R did not accept this offer.

As both parties are still not in agreement, the complaint has come to me to make a decision.

## my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was offered.

I think the overarching questions I need to consider in deciding what’s fair and reasonable in the circumstances of this complaint are:

- Did Mr Lender, at the time it lent, complete reasonable and proportionate checks to satisfy itself that Miss R would be able to repay in a sustainable way?
  - If not, would those checks have shown that Miss R would have been able to do so.

- Taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Miss R's indebtedness in a way that was otherwise unsustainable or harmful?
- Did Mr Lender act unfairly or unreasonably in some other way?

If I determine that Mr Lender did not act fairly and reasonably in its dealings with Miss R and that she has lost out as a result, I will go on to consider what is fair compensation.

Mr Lender was required to lend responsibly. It needed to make checks to see whether Miss R could afford to pay back the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss R was borrowing and the length of the agreement. But there was no set list of checks Mr Lender had to do.

Mr Lender says it asked about Miss R's income and carried out a credit check on each occasion. It says the checks it carried out were proportionate.

I agree with the adjudicator that the checks Mr Lender carried out on loans 2 and 3 were not sufficient as it should have been finding out about Miss R's expenditure. I say this because the monthly repayment amounts for these loans were significant for Miss R in relation to her monthly income. I think Mr Lender should have seen this and sought further information about Miss R's monthly expenditure and regular financial commitments. If it had done this, it would have seen that Miss R had no disposable income at the time of either loan to be able to meet the repayments. So I don't think Mr Lender should have agreed to lend Miss R either loan 2 or loan 3.

By the time Miss R applied for loans 4 and 5, I think Mr Lender should have been asking for further information about her expenditure, financial commitments and also any other short term lending she may have had at this time. So I don't think it carried out proportionate checks for these 2 loans either. If it had done so, it would have seen that Miss R had no disposable income and so wouldn't have been able to meet the repayments for these 2 loans when they were due. I don't think Mr Lender should have granted loans 4 and 5 either.

Miss R took out a further 3 loans (loan 6, 7 and 8) and by this stage she'd developed a pattern of borrowing regularly and taking out loans in quick succession. She had also deferred payment on loan 5 at this stage on a number of occasions. I think Miss R's pattern of borrowing at this point suggested she may've been becoming reliant on these loans. I think it would've been reasonable and proportionate for Mr Lender to have asked more questions and carried out more checks for all 3 of these loans.

Mr Lender should have been looking to carry out a complete review of Miss R's finances from loan 6 onwards. One way it could have done this would be to look at her bank statements. If it had done this, it would have seen she had a high amount of financial commitments. When these additional amounts are considered alongside Miss R's normal living costs, she had no disposable income for loans 6, 7 and 8 and didn't have enough to afford the loan repayments. Miss R's loans from loan 6-8 weren't sustainable.

Taking everything into account I don't think Mr Lender has shown its checks for loans 2-8 were sufficient or proportionate given Miss R's borrowing history or, the amounts borrowed. I consider proportionate checks would have shown Mr Lender that Miss R couldn't afford to repay any of the loans. On balance I don't think these 7 loans should've been granted. It should put right what it did wrong.

**my final decision**

My decision is that I uphold this complaint. PDL Finance Limited should:

- Refund all interest and charges that Miss R paid on loans 2-8;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- Remove any negative information about loans 2-8 from Miss R's credit file.

\*HM Revenue & Customs requires PDL Finance Limited to take off tax from this interest. PDL Finance Limited must give Miss R a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 31 January 2019.

Mark Richardson  
**ombudsman**