

complaint

Mr E says PDL Finance Limited (trading as Mr Lender) lent to him irresponsibly. He says the loans trapped him in a debt spiral and the repayments took up most of his income and so he had to borrow again.

background

This complaint is about ten short term loans Mr Lender provided to Mr E between July 2014 and November 2017.

loan number	date started	loan amount (£)	instalments	max repayment (£)	date ended
1	25/06/2014	400	1	540	19/09/2014
2	20/09/2014	482	1	626.60	24/11/2014
3	26/11/2014	400	6	186.66	20/05/2015
4	20/05/2015	750	6	280	20/11/2015
5	28/11/2015	640	6	247.46	20/05/2016
6	30/05/2016	600	6	217	09/07/2016
7	03/09/2016	350	6	128.33	20/02/2017
8	23/02/2017	500	6	184.08	07/03/2017
9	07/05/2017	1,000	12	276.83	19/06/2017
10	19/11/2017	1,350	12	294.60	outstanding

Our adjudicator partially upheld the complaint. Mr Lender disagreed with the adjudicator's opinion so the complaint has been passed to me.

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 set out our general approach to complaints about short-term lending on our website and I've taken this into account in deciding Mr E's case.

I've decided to uphold Mr E's complaint in part and have explained why below.

Mr Lender 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 E could repay his loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr E's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that a lender should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These would include where:

- a consumer's income is low or the amount to be repaid takes up a substantial portion of their income
- the amount, or amounts, due to be repaid are higher
- there is a larger number and/or frequency of loans
- the period of time during which a customer has been provided with borrowing is long.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've carefully thought about what all this means for Mr E's complaint.

Mr Lender has said before agreeing to lend any of the loans, it searched Mr E's credit file and there was nothing within the file that was concerning – it hasn't provided this service with the detailed results of its search and I haven't seen a copy of Mr E's credit file so I can't say if there were concerning entries on the file. It also said it asked Mr E about his income which he declared as £2,300. And Mr Lender requested Mr E's payslips to verify his income. Mr Lender also checked Mr E's living costs and other credit commitments which Mr E declared as £1,808 monthly. And it was based on the outcome of its checks it lent to Mr E.

I think the checks Mr Lender carried out before agreeing to lend loan 1 went far enough. It was Mr E's first loan and considering his declared income, the loan amount of £400 and its repayment was relatively low compared to his income, it suggests that Mr E could afford the loan.

I can see that Mr E rolled over this loan twice before repaying it. I think this suggests that he wasn't in a position to afford this loan sustainably and needed some breathing space for the repayment. And so when Mr E applied to borrow loan 2 within a day of repaying loan 1, I think Mr Lender should have been concerned for a number of reasons and it should have taken its checks further for this and subsequent loans.

Firstly, he was borrowing within 24 hours of repaying a loan which it seems he struggled to repay. Also, he was borrowing more than his previous loan. I think there was an indication here that Mr E didn't sustainably repay loan 1 and the repayment of that loan had left a hole in his finances that he needed to borrow again so quickly to fill.

In those circumstances, Mr Lender shouldn't have been lending loan 2. I can see that Mr E also rolled over loan 2 twice before managing to repay it and borrowed loan 3 within two days of repaying loan 2. This became a pattern in Mr E's borrowing – where he borrowed a new loan within a short time of repaying a previous loan.

Mr Lender ought to have been aware that this pattern demonstrated that Mr E couldn't sustainably afford the loans and it shouldn't have continued to lend to him.

And by loan 5, Mr E had been indebted to Mr Lender for around 17 months without any significant breaks in the lending relationship. And Mr E had become dependent on these loans and it should have concerned Mr Lender that he was using the loans as a supplement for his income - something these loans aren't suitable for. I say this because:

- the amounts Mr E was borrowing were generally increasing, and Mr Lender ought to have realised it was likely their indebtedness was increasing unsustainably.
- Mr E wasn't making any real inroads to the amount he owed Mr Lender. And was in effect paying large amounts of interest to service this debt over an extended period – Mr E was in a lending relationship with Mr Lender for more than three years without any significant breaks. I say this because although Mr E had a break of around five months after repaying loan 9 and borrowing loan 10, I don't think that gap was sufficient to allow Mr lender reasonably believe that his circumstances had improved - particularly as he'd been borrowing for around 36 months by this stage.
- Mr E was demonstrating repayment difficulties from loan 1.

As Mr Lender continued to provide borrowing, Mr E lost out because:

- these loans had the effect of unfairly prolonging Mr E's indebtedness by allowing him to take expensive credit over an extended period of time,
- the number of loans (loans and deferrals) was likely to have had negative implications on Mr E's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm upholding Mr E's complaint about loans 2 to 10 because the overall pattern of lending increased his indebtedness in a way that was unsustainable or otherwise harmful and he lost out as a result.

I've also carefully thought whether Mr Lender acted unfairly or unreasonable in some other way. Having done so, I've not seen anything here that leads me to conclude Mr Lender acted unfairly or unreasonably towards Mr E in some other way.

putting things right – what Mr Lender needs to do

- refund all interest and charges Mr E paid on loans 2 to 9;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement*;
- for loan 10, remove any fees and charges added to the capital and treat all payments made by Mr E as repayments towards the capital. If a capital balance is still outstanding then Mr Lender may use the redress above to offset this. Mr Lender can only offset if it still owns the loan.
- remove any negative information about loans 2 to 5 from Mr E's credit file;
- the number of loans taken from loan 6 onwards means any information recorded about them is adverse. So all entries about loans 6 to 10 should be removed from Mr E's credit file.

* HM Revenue & Customs requires Mr Lender to take off tax from this interest. Mr Lender must give Mr E a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained, my final decision is that I'm partially upholding Mr E's complaint. PDL Finance Limited should pay redress as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 4 August 2019.

Oyetola Oduola
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