

complaint

Mr B has complained that PDL Finance Limited lent money to him when he wouldn't be able to pay it back.

background

Mr B took out five payday loans with PDL between April 2012 and May 2014. He feels these were unaffordable. PDL offered him £150 as a goodwill gesture, but Mr B didn't feel this was fair, and complained to this service.

Our adjudicator recommended that the complaint should be upheld in part. He felt that there had been no reason for PDL to have had concerns about the first loan, but his further borrowing was such that it should have triggered PDL to carry out further checks. Had it done so, it would have seen that Mr B had considerable debt and was in a precarious financial position.

PDL disagreed. It said that Mr B was spending considerable amounts of money at bookmakers, and would have been able to afford to repay the loans if he hadn't done so.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr B's first loan with PDL was taken out on 2 April 2012. It was for £450. I don't think this should necessarily have triggered further checks. However, there were then a further three loans in quick succession, including repaying £585 on 1 May 2012, and another loan for £625 being taken out on the same day. I feel that this further lending – the three loans after that of 2 April – should have triggered further inquiries into Mr B's financial position. This is because it should have becoming clear the borrowing may be unsustainable. Further inquiries would have shown Mr B was heavily reliant on payday lending (from a number of other lenders). His bank statements would also have shown he may well have had a gambling problem. For these reasons, I think all interest and charges should be removed from these loans, and all record of them removed from Mr B's credit file.

That said, I have some sympathy for PDL's argument that Mr B may have been able to repay the money if he hadn't been gambling. But this doesn't change the fact that he was already heavily reliant on other payday lending, regardless of this. Further, Mr B's bank statements clearly show large sums going to a bookmaker, which in and of itself should probably have raised concerns about how Mr B was handling his finances. But, as I don't think Mr B was helping his position, I don't think it fair for me to award him any compensation for any distress and inconvenience caused.

I turn now to the final loan in May 2014. Had PDL conducted appropriate checks regarding the previous loan applications, it should have had this information of file. It would then likely have checked Mr B's financial position when he applied for this last loan. Again, checks would have shown he remained reliant on payday lending, and also had a home credit loan. Further, this loan was for £700, which is a significant amount. I think this in itself should have prompted PDL to look further into Mr B's position. So I think all interest and charges should also be removed from this loan, and all record of it be removed from Mr B's credit file.

my final decision

For the reasons given above, it's my final decision to uphold this complaint in part. I require PDL Finance Limited to remove all interest and charges from all four of the loans set out above (*ie* all except that from 2 April 2012). If Mr B has repaid any of the interest and charges, these should be refunded to him with 8% simple interest per year, from the date(s) of payment to the date of settlement. PDL Finance Limited may set any refund off against any outstanding principal sums. It must also remove all records of these four loans from Mr B's credit file, as they shouldn't have been granted.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 November 2015.

Elspeth Wood
ombudsman