

complaint

Mr W complains that PDL Finance Limited, trading as Mr Lender, was irresponsible to give him loans at a time when his debts were mounting up due to a gambling addiction.

background

Mr W borrowed three times from Mr Lender between February 2014 and November 2016, as follows:

loan number	date taken	amount borrowed	date repaid
1	13 February 2014	£150	28 February 2014
2	9 July 2014	£300	25 July 2014
3	20 November 2016	£1,000	18 August 2017

His first two loans were payday loans and the third loan was an instalment loan to be repaid over six months.

Mr W says that Mr Lender was irresponsible to give him the loans. He had a gambling addiction and used the money solely to gamble. He is particularly concerned that Mr Lender turned him down for a loan in October 2016 but then, a month later, told him he was eligible to apply. He struggled to repay loan three.

Mr Lender says that each time Mr W asked to borrow it carried out employment and credit checks. It also asked Mr W about his monthly income and normal living costs. Based on the checks and the information Mr W provided it, Mr Lender concluded that the loans were affordable.

The adjudicator didn't think that this complaint should be upheld. She felt that the checks that Mr Lender did before agreeing each loan went far enough and, based on the information Mr W provided, he had enough disposable income to meet the repayments.

Mr W disagreed. He said, in summary, that Mr Lender relied on affordability assessments completed by him. It also refused to provide a loan when he applied in October 2016, but just one month later contacted him to say he could apply again.

my findings

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

With regard to all the loans Mr Lender provided, it was required to lend responsibly. It needed to make checks to see whether Mr W could afford to pay back each loan without it adversely impacting on his financial situation. It had to gather enough information so that it could make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But checks should be proportionate and should take into account a number of things, including things such as the size of the loan, what the lender knows about the consumer, what the consumer tells the lender about their circumstances and when what's being borrowed is due to be repaid.

Mr W was given loans where there was an expectation he'd repay what he'd borrowed plus the interest due over different timescales. As a result, the checks Mr Lender carried out had

to provide enough for it to be able to understand whether Mr W could afford to make all of those repayments when they fell due.

Mr Lender has told us that it asked Mr W each time about his monthly income and normal expenditure before agreeing to lend to him. It relied on the information he gave to it. It also carried out employment and credit checks, which it also used to examine his other credit commitments.

loans one and two

Mr Lender has given us evidence to show that it asked Mr W about his monthly income. It's recorded this as £1,650 for the first loan and £2,000 for the second. Mr W told it that he was living at home with his parents and his regular monthly outgoings were a maximum of around £350 at the time. So he had a disposable income of over £1,300 to meet a maximum repayment of £390. The credit checks Mr Lender did didn't show anything of concern that meant it should do any further checks than this.

I think the checks that Mr Lender did for these two loans were proportionate and it wasn't wrong to conclude that Mr W could afford them.

loan three

Mr W applied for his third loan over two years after repaying his second one. Although it was for a much larger amount it was an instalment loan to be repaid over six months. Mr Lender has recorded his income as £2,400 per month and his regular living costs and loan repayments as £1,335 giving Mr W a disposable income of over £1,000 per month. Based on the information that Mr W gave, Mr Lender concluded that Mr W had sufficient disposable income to meet the highest repayment for this loan of just under £353.

Mr W has said that he doesn't think Mr Lender should have agreed the loan because it had turned his request down just a month earlier. But I find that Mr Lender had tried to contact Mr W about the earlier loan to get further information before it could approve the loan. It wasn't able to do so, which is why it declined to assist.

I accept that Mr W's actual circumstances may not have been accurately reflected in the information he provided to Mr Lender. But Mr Lender could only base its decision to lend on the information it had available to it at the time. And it didn't have any reason to disbelieve or doubt what Mr W declared, so I don't think Mr Lender needed to verify the information that Mr W had given. I'm not persuaded that proportionate checks needed to go any further this. Overall I think the checks Mr Lender did before giving Mr W his loans went far enough. And I don't think it was wrong for Mr Lender to conclude that all three loans were affordable and to lend to Mr W.

my final decision

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 W to accept or reject my decision before 5 October 2018.

Karen Wharton
ombudsman