

## complaint

Mr S complains that PDL Finance Limited (trading as Mr Lender) gave him loans that he couldn't afford.

## background

Mr S took out a total of five loans with Mr Lender between January 2014 and July 2016.

Loan	Date	Amount	Date repaid	No. of instalments
1	06.01.14	£300	27.01.14	1
2	01.02.14	£700	06.02.14	1
3	01.03.14	£700	02.06.14	1
4	29.09.14	£1,000	22.05.15	6
5	25.07.16	£1,000	-	6

Mr S repaid the first two loans early. But he was unable to repay loans 3 or 4 when they were due, and repayment plans were set up for both loans. A balance remains outstanding on loan 5.

Mr S believes that Mr Lender should have realised from the number of times he borrowed that his debt problems were getting worse. He says the loan repayments took so much of his wages that he had to borrow again. And he had a severe gambling problem. He believes that if Mr Lender had carried out adequate checks, it would have been clear to it that he couldn't afford the loans. So he believes it was irresponsible to continue to lend to him.

Our adjudicator recommended that the complaint should be upheld in part. In summary, she thought Mr Lender had carried out enough checks before making the first and last loans. But she thought it should have carried out a full review of Mr S's financial circumstances before agreeing to loans 2 to 4. And she thought that if it had done so, it would have realised that he couldn't afford them. So she recommended that Mr Lender refund all interest and charges that Mr S paid on those loans, with interest on the refund. And she said it should remove any negative information about those loans from Mr S's credit file.

Neither Mr S nor Mr Lender agreed with the adjudicator's view. But Mr Lender has offered to write off the outstanding balance on loan 5, in addition to paying the compensation recommended by the adjudicator for loans 2 and 3. As neither party agrees fully with the adjudicator's view, the complaint's 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. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Mr Lender was required to lend responsibly. It needed to make checks to see whether Mr S could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr S was borrowing, and his lending history. But there was no set list of checks Mr Lender had to do.

Mr Lender's told us about the checks it did before lending to Mr S. Before the first loan it asked him for details of his monthly take-home pay and his regular monthly expenditure. And it says it checked Mr S's credit file. Although I haven't seen the full results of the credit checks, Mr Lender's told us that they didn't show any adverse information such as accounts that had entered a defaulting or delinquent status within the last three years or evidence of any IVAs or bankruptcy. And I'm not aware of any adverse information of this nature that would have been on Mr S's credit file at the time of the loans.

Mr S told Mr Lender his monthly income was £1,800. And his regular monthly expenditure amounted to £720. Mr Lender was entitled to rely on the information Mr S gave it, in the absence of anything to suggest it might be unreliable. And based on that information, it would have looked as if Mr S could afford the loan. So I don't think Mr Lender was at fault in agreeing to loan 1.

Loan 2 was significantly higher than loan 1, and Mr S applied for it just a few days after he'd repaid the first loan. The total repayment due was £910, which would have taken most of Mr S's declared disposable income. Taking everything into account, I think that Mr Lender should have been concerned that Mr S's finances weren't as healthy as the income and expenditure figures he'd provided might suggest. And I think that as a responsible lender, it should have taken steps to verify the information independently.

I've looked at Mr S's bank statements to see what it's likely that better checks would have shown Mr Lender. And having done so, I can see that Mr S's existing credit commitments, when added to his regular monthly outgoings, left him with no disposable income. So as a responsible lender, I think that Mr Lender wouldn't have made loan 2 if it had carried out what I consider to be proportionate checks. And my view is the same regarding loan 3, for substantially the same reasons.

It's true that nearly four months passed between Mr S repaying loan 3 and applying for loan 4. But he hadn't been able to repay loan 3 on time. And loan 4 marked another step up in the amount Mr S was applying to borrow. I accept that the loan was repayable by instalments. So Mr S didn't have to pay as much each month as he'd have had to if the loan had been repayable in a single payment. But he was committing to keep up regular payments over a six-month period. Given the size of the loan, the length of the term, and Mr S's loan history with Mr Lender, I again think that it should have taken steps to verify the information Mr S gave it independently.

So once again, I've looked at Mr S's bank statements to see what it's likely that better checks would have shown Mr Lender. And again, I can see that Mr S had existing short-term loans which between them left him with no disposable income. What's more, he was, as he says, gambling heavily. So I think that if it had carried out appropriate checks, Mr Lender should have realised that Mr S wasn't in a position to take on further borrowing.

More than a year passed between Mr S finishing repaying loan 4 and applying for loan 5. Based on the information that Mr S gave Mr Lender about his regular monthly income and expenditure, it would have looked as if he ought to have been able to afford the monthly repayments relatively easily. And given the interval since his previous loan, I don't think it was unreasonable of Mr Lender to agree to the loan without carrying out more detailed affordability checks.

So I agree with the adjudicator that as a responsible lender, Mr Lender shouldn't have agreed to loans 2 to 4. I understand that Mr S was disappointed that the adjudicator originally took the view that Mr Lender shouldn't have made any of the loans, but subsequently decided that it hadn't been at fault in making loans 1 or 5. But I've reviewed the complaint independently, and have reached the same conclusion, for the reasons I've set out.

### **putting things right**

I don't think Mr Lender should have agreed to make loans 2, 3 or 4. So Mr Lender should:

- Refund any interest, fees and charges applied to loans 2, 3 and 4.
- Add simple interest at a rate of 8% per year to each of these amounts from the date they were paid to the date of settlement\*.
- Remove any adverse information recorded on Mr S's credit file in relation to loans 2, 3 and 4.

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

In addition, Mr Lender should write off the outstanding balance on loan 5, as it has confirmed it is willing to do.

### **my final decision**

My decision is that I uphold this complaint in part. I require PDL Finance Limited (trading as Mr Lender) to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 April 2019.

Juliet Collins  
**ombudsman**