

complaint

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

background

Mr F took 12 instalment and payday loans with Mr Lender between June 2014 and September 2015. They ranged between £150 and £750, with small gaps between each loan. He says he was in a cycle debt and if Mr Lender had done proper checks it should have realised this. To resolve his complaint he wants it to refund all charges and interest paid.

Mr Lender said that it carried out sufficient checks for each loan (credit checks and disposable income) and there were no indication that Mr F was in financial trouble.

Our first adjudicator initially thought that the complaint should be partly upheld. She felt that by the fourth loan Mr Lender should have realised they weren't affordable. When she reviewed information from Mr Lender, she later said it did enough checks and so didn't recommend the complaint should be upheld.

Another adjudicator looked at the complaint; she thought that Mr Lender should have realised from the second loan that they were unaffordable.

Mr Lender disagreed. It asked for an ombudsman to look at the complaint.

I let the parties know that I thought that Mr Lender should've realised from the fourth loan that Mr F might be in financial difficulties.

I gave both parties the chance to provide any further evidence or comments. Mr Lender didn't respond.

Mr F disagreed; in summary he said Mr Lender should have recognised he was in financial difficulties from the second loan as this was a bigger loan and was taken out only a day after the first loan was repaid.

my findings

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

From Mr F's bank statements and credit file, I'm in no doubt that he was in financial difficulties and dependent on short term lending when he was borrowing from Mr Lender.

Mr F first borrowed £400 from Mr Lender, a day after repaying this he borrowed £700. Unable to repay this when agreed he rolled over the second loan twice. Four days after settling this loan he took a smaller £500 loan. Only two days after repaying this loan he borrowed £700 again. His pattern of borrowing continues like this until his last loan, with very little breathing space between each loan.

I think that it was reasonable for Mr Lender to lend Mr F the first three loans and I think its checks to this point were sufficient. Just because someone is borrowing a larger loan shortly after repaying the first loan, isn't on its own an indication that there is a problem. However, I

think that by the fourth loan Mr Lender should have recognised that a pattern was developing. Mr F was borrowing frequently, with just a few days gap between each loan. When he took the bigger second loan, he struggled to repay this as agreed and had to roll it over twice. I think that when he asked to borrow this amount again, Mr Lender should've done more checks.

If Mr Lender had asked more questions at this point it would have realised that Mr F was dependent on high interest short term lending and I don't think it would have continued to lend to him. So to resolve this complaint I think that Mr Lender should refund Mr F all charges and interest applied to loans four to twelve, with 8% simple interest. It should also remove all records of these loans from Mr F's credit file.

my final decision

To resolve this complaint PDL Finance Limited (trading as Mr Lender) should;

- refund Mr F all interest and charges he paid on loans four to twelve; adding 8% simple interest a year, from the date of each repayment to the date Mr F gets his money back.
- remove all records of loans four to twelve from Mr F's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 10 October 2016.

Karen Dennis-Barry
ombudsman