

complaint

Mr W complains that PDL Finance Limited (trading as Mr Lender) was irresponsible to lend to him.

background

Mr W had two instalment loans from Mr Lender between December 2017 and July 2018:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Due</u>	<u>Max Repayment</u>	<u>Repaid</u>
1	7 Dec 2017	£300	6m	1 Jun 2018	£136.40	28 Jun 2018
2	11 Jul 2018	£200	3m	28 Sep 2018	£103.46	Outstanding

Mr W says he was borrowing from multiple lenders at the same time as his Mr Lender loans and using one loan to repay another. He says his credit file would have shown three active defaults and he was unable to pay priority bills.

Mr Lender says it checked Mr W's credit file and it showed no defaults in the previous three years and a credit score that was acceptable. It says it also asked Mr W for information about his monthly income and expenditure and this showed he had enough disposable income to make the repayments. Mr Lender offered to set up a repayment plan for the original contracted amount for loan 2, meaning he'd receive a £32.28 discount.

Our adjudicator didn't recommend the complaint should be upheld. Although she considered Mr Lender should have done better checks before approving the second loan, she was satisfied such checks were still likely to have shown the repayments were affordable.

Mr W responded to say, in summary, that he'd had other complaints upheld and that he had evidence of his financial circumstances at the time that showed the loans were unaffordable.

my provisional findings

I issued a provisional decision to Mr Lender and to Mr W on 14 May 2019. I summarise my findings here:

- I was satisfied Mr Lender did enough checks before it approved loan 1;
- Because of the repayment history on loan 1, I considered Mr Lender should have carried out a full financial review before approving loan 2;
- Such a review would have shown Mr W's income was around £1,900 per month;
- But it also showed his regular expenditure was at least £1,500 before food and travel were included;
- Mr W was also making £141 repayments to another short-term loan company;
- Mr W's bank statements also showed a significant number of transactions that appeared to be related to gambling;
- So, I was satisfied Mr W could not afford to sustainably repay loan 2 and, had Mr Lender carried out proportionate checks, I considered it likely it would have found it was irresponsible to lend him the money.

My provisional decision was that Mr Lender should refund interest and charges on loan 2 (plus 8% statutory interest), write off any unpaid interest and charges and apply the refund to reduce the outstanding balance on loan 2. It should pay any balance to Mr W and remove negative information about loan 2 from Mr W's credit file.

Mr W accepted the provisional decision.

Mr Lender responded to say, in summary, that Mr W had set up a repayment plan to reduce the repayments on loan 1 as he needed additional money available for an expensive purchase and had already made another large one-off purchase. Mr Lender says it did make additional checks before approving loan 2 because of the issues repaying loan 1, including asking Mr W whether he considered himself reliant on short-term loans. In response to Mr Lender's further questions, Mr W said he was expecting additional income of about £250 per month due to overtime and had no other late payments or payment plans.

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 accept Mr Lender carried out extra checks when Mr W set up the repayment plan on loan 1, and when he applied for loan 2. But I still can't conclude those checks went far enough.

I say that because a financial review should include verifying information provided by Mr W, including income, expenditure and short-term loans. I acknowledge Mr Lender asked about short-term loans, but I don't consider the question was specific enough. Indeed, Mr W didn't mention short-term loans in his response even though he had one outstanding. Also, Mr Lender didn't review Mr W's monthly expenditure figure, which was significantly understated.

So, although I accept Mr W gave plausible reasons for requesting a repayment plan, and a further loan, I cannot conclude Mr Lender should have approved loan 2. So I see no reason to depart from my provisional decision.

my final decision

My decision is that I uphold this complaint in part. PDL Finance Limited (trading as Mr Lender) should:

- Refund all interest and charges that Mr W paid on loan 2;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Write off any unpaid interest and charges for loan 2, apply the refund to reduce any capital outstanding and pay any balance to Mr W;
- Remove any negative information about loan 2 from Mr W's credit file.

*HM Revenue & Customs requires Mr Lender to take off tax from this interest. Mr Lender must give Mr W a certificate showing how much tax it's taken off if he asks for one. If Mr Lender intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 July 2019.

Amanda Williams
ombudsman