

complaint

Mr G complains that PDL Finance Limited (trading as Mr Lender) didn't do enough affordability checks before lending him money.

background

Mr G had two instalment loans from Mr Lender between October 2016 and January 2017 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Due</u>	<u>Max Repayment</u>	<u>Repaid</u>
1	14 Oct 2016	£200	3m	26 Jan 2017	£138.66	On time
2	27 Jan 2017	£350	6m	26 Jul 2017	£136.73	2 May 2017

Mr G says his pattern of borrowing should have alerted Mr Lender to the need to carry out further checks. He says this would have shown the loans were unaffordable, not least because of his gambling expenditure.

Mr Lender says it asked Mr G about his income and verified this with a copy of his payslip. It says it also asked him about his expenditure and checked his credit file. Mr Lender says that, based on the information it had, it was satisfied the loans were affordable.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Mr Lender had done enough checks when Mr G applied for the loans and, based on that information, he couldn't conclude it was wrong to approve them.

Mr G responded to say, in summary, that other similar complaints had been upheld. He said that whilst he accepted the view on loan 1, he considered Mr Lender should have asked further questions when he borrowed almost twice the amount the day after repaying his first loan. He added that the number of short-term loans on his credit file should also have indicated to Mr Lender that it needed to do further checks. Mr G also pointed out that he'd borrowed from Mr Lender for nine months with no further checks and that his bank statements showed significant gambling expenditure. Finally he said he'd had a complaint upheld against another business because it had carried out more thorough checks that indicated his potential financial difficulties.

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 Lender was required to lend responsibly. It should have made checks to make sure Mr G could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr G was borrowing, and his lending history. But there was no set list of checks Mr Lender had to do.

Loan 1

When Mr G applied for his first loan from Mr Lender, it asked for information about his income and expenditure and checked his credit file. As the highest repayment was a small proportion of Mr G's income, I'm satisfied Mr Lender's checks went far enough and there was nothing to indicate the loan was unaffordable.

Loan 2

Mr G repaid the first loan on time and, one day later, applied for a further loan of £350. As the loan was to be repaid with six instalments, the highest repayment was still under £140. Mr Lender calculated Mr G's disposable income was over £700, so also found this loan to be affordable. I can't say it was wrong to do so.

I acknowledge what Mr G says about what his credit file showed at the time, but I have seen the results of the credit checks carried out by Mr Lender. A business isn't obliged to carry out credit checks but, when it does, it needs to take the information into account when making lending decisions. In this case, Mr Lender received specific information from its credit check including data about Mr G's defaults, bankruptcy status and delinquent accounts, alongside his credit score. None of this would have indicated to Mr Lender that it should have cause for concern about affordability. I accept Mr G's full credit file shows a number of short-term loans at the same time as his Mr Lender borrowing, but Mr Lender didn't have this information in the credit check results it received. So I can't say it should have carried out further checks on that basis.

Similarly, a business isn't obliged to review bank statements before approving loan applications. When the checks it carries out are considered to be proportionate to the circumstances of the lending, as is the case here, it is entitled to make its lending decisions based on the information it has. I accept that Mr G's bank statements show a significant spend on gambling, but as I'm satisfied with the level of checks carried out by Mr Lender, I can't say it should have reviewed his bank statements before agreeing to the loans.

I acknowledge Mr G has had complaints against other businesses upheld, but I need to consider each case on its individual merits.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 March 2019.

Amanda Williams
ombudsman