

complaint

Miss S complains that PDL Finance Limited, trading as Mr Lender (PDL), gave her five instalment loans that were unaffordable.

background

Miss S took five instalment loans with PDL between 28 May 2015 and 15 December 2015.

	date taken	principal amount borrowed £	term of loan (months)	date closed
Loan 1	28/05/15	500.00	6	25/06/15
Loan 2	28/06/15	500.00	5	25/07/15
Loan 3	06/08/15	750.00	6	28/08/15
Loan 4	04/09/2015	1,000.00	5	17/09/15
Loan 5	15/12/2015	800.00	6	outstanding balance

PDL didn't initially agree that it shouldn't have lent to Miss S. But to settle the complaint it offered to refund an amount equivalent to the interest payable on loan five. Miss S didn't think this offer was fair. So she referred her complaint to this service.

One of our adjudicators looked into Miss S's complaint. She thought the checks PDL carried out before agreeing to Miss S's first three loans were proportionate to the amount being borrowed when also taking into account that the first three loans were repaid early. But she didn't think that PDL should've have provided Miss S with loans four and five. She felt that by this point PDL should've been aware that Miss S was becoming reliant on this type of lending and that it didn't complete proportionate checks in these circumstances. So she recommended that Miss S's complaint should be upheld in part. And that PDL Finance pay back the interest and fees Miss S paid for loans four and five (plus 8% interest). She also recommended that those two loans be removed from Miss S's credit file.

PDL accepted our adjudicator's assessment. But Miss S didn't agree and asked for the complaint to be considered by an ombudsman. She said she thought loans two and three were also unaffordable. So the case has come to me to make a decision.

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.

Having carefully thought about everything I've been provided with, I'm upholding Miss S's complaint in part. I'd like to explain why in a little more detail.

PDL was required to lend responsibly. It needed to make checks to see whether Miss S could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to the amount Miss S was borrowing, the amount of each instalment (plus interest due) and what information PDL had about Miss S.

Miss S no longer appears to dispute that PDL lent the first loan to her responsibly. So I've not considered this loan any further.

But I've first looked at what happened when PDL gave Miss S loans two and three. PDL has said its usual procedure when a customer applied for a loan included finding out about the customer's circumstances and combining that information with details obtained from a credit check. And it has provided this service with the results of the credit checks it did and the information it recorded about Miss S's monthly disposable income – which it says was calculated following an income and expenditure assessment.

Miss S took out loan two (£500 – repayable over 6 months) on 28 June 2015, having repaid her first loan in full within one month of it being taken out. And loan three (£750 – repayable over five months) was taken out on 6 August 2015, also after the second loan had been repaid early (on 25 July 2015). The information provided by PDL suggests that the information it gathered about Miss S's income and expenditure indicated she had a monthly disposable income of £1,274 on both occasions. And I can see that the credit check result for loan two and three didn't highlight anything that would make me think that PDL should've undertaken any further checks. So overall I think PDL undertook sufficient proportionate checks for these loans. So I'm not going to ask PDL to pay any compensation with regard to the first three loans.

But I've gone on to look at what happened when Miss S applied for the fourth loan on 4 September 2015. This time the total loan was for £1,000. I think that this was a significant increase in her borrowing and – although she had again repaid her previous loan early, the application for this loan was made only a week after the earlier loan had been repaid. This suggests to me that Miss S was becoming reliant on this type of lending. And PDL's records indicate that Miss S's disposable income had reduced to £745 and the maximum instalment amount was for nearly 60% of this. So I think it would've been reasonable for PDL to have made more enquires about Miss S's outgoings and circumstances – for example, reviewing her bank statements, to see if she could afford this loan. And I can't see that it did.

So I've looked at the bank statements Miss S has provided covering the period from August 2015 onwards. I can see that Miss S's outgoings outweighed her then fluctuating income and she was gambling heavily. And it looks as though she needed to borrow this money to meet her other commitments. So I don't think PDL would've lent to Miss S knowing this. And I don't think that any lending would've been affordable for Miss S so PDL shouldn't have lent her this loan.

And from what I've seen, Miss S's financial situation hadn't improved when she applied for the fifth loan. I can see that Miss S successfully repaid the fourth loan early too. But it looks to me that she only achieved this by borrowing money and gambling. And I think this is something that PDL should've been aware of if it had performed sufficient checks on Miss S's circumstances. And so I don't think it should've lent to Miss S in these circumstances.

It follows therefore that I uphold Miss S's complaint in part. And PDL needs to pay her some compensation.

putting things right

I don't think that loans four and five should've been lent by PDL Finance Limited to Miss S, so I require it to:

- refund the interest and charges applied to them;
- add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement *; and
- remove any adverse entries relating to these loans from Miss S's credit file.

If PDL is still owed the outstanding capital balance from loan five then it can deduct this amount from the amount it needs to pay Miss S. If Miss S still has an outstanding balance with PDL after the refund and she is still in financial difficulty, PDL should treat Miss S positively and sympathetically, and work with her to try to agree a payment plan. As part of that, it may consider accepting a reduced amount to settle the debt if it hasn't already done so.

*HM Revenue & Customs requires PDL to take off tax from this interest. It must give Miss S a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons above, I uphold Miss S's complaint in part and require PDL Finance Limited (trading as MR LENDER) to put things right as outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 January 2017.

Sandra Greene
ombudsman