

## **complaint**

Ms B complains that PDL Finance Limited (trading as Mr Lender) gave her unaffordable instalment loans.

## **background**

Ms B says that, at the time she took the loans with Mr Lender, she was already in financial difficulty and then had to borrow more money to repay the loans. She believes that Mr Lender did not make sure she could afford the loans before it gave them to her, and says this added to her financial problems.

Mr Lender said that it had made responsible lending checks before making each of the loans, and that these had not indicated any difficulties. It did not accept that it had been irresponsible.

As things were not settled, Ms B brought her complaint to this service where one of our investigators looked into it. From the evidence, the investigator was satisfied that Mr Lender had made reasonable credit checks in relation to the first three loans, which would not have appeared unaffordable. Although the investigator had some concerns that these three loans had been allowed to run back-to-back, they did not feel that Mr Lender had lent them irresponsibly.

However, the investigator was concerned that – by the fourth loan – Ms B had applied to borrow substantially more. Mr Lender's credit checks at that time would also have shown that, with each loan, the overall number of credit accounts that Ms B had was increasing substantially.

Taking everything into account, the investigator felt that Mr Lender should have made extra checks when Ms B applied for the fourth loan – which would have shown that she was juggling credit and the loans were no longer suitable.

To put things right, the investigator recommended that Mr Lender should refund the charges and interest from the fourth loan onwards, together with interest on that money, and amend Ms B's credit file.

Mr Lender did not agree, and said it aimed to send a response to the investigator's recommendations by 13 September. We have received no further word from Mr Lender since then.

## **my findings**

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

The loans that Ms B took with Mr Lender were instalment loans, repayable by monthly amounts within a specified maximum period of time. At the start, Ms B's credit score was reasonable and I don't think that Mr Lender should have realised that she was already in financial difficulty.

But I consider that this changed with the application for the fourth loan. Like the other loans, it ran back-to-back with the previous loan – but this time, Ms B was asking to borrow £500 rather than the £100 she had borrowed for her previous loan. By then, the credit file also reflected a significant ramping-up of the total number of credit accounts Ms B had taken.

In my view, the information that Mr Lender obtained from the fourth loan application should have raised real concerns about the suitability of the borrowing and prompted it to make some additional checks.

A request to see a bank statement, for example, would quickly have shown that Ms B was significantly overdrawn and had a substantial number of gambling transactions on her account – together with numerous transactions with other short-term lenders. This would have made plain that further loans were neither suitable nor affordable.

In all the circumstances, I consider that the outcome recommended by the investigator is broadly fair in this case.

### **my final decision**

My final decision is that I uphold this complaint in part and I direct PDL Finance Limited (trading as Mr Lender) to:

- refund Ms B all the charges and interest she paid on her fourth, fifth and sixth loans (taken from 31 July 2015 onwards); and
- pay Ms B simple interest on that money, calculated at 8% a year from the dates of payment to the date of settlement; and
- remove any adverse credit reference information that it has registered on Ms B's credit file about the fourth, fifth and sixth loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 28 October 2016.

Jane Hingston  
**ombudsman**