

complaint

Mr D says PDL Finance Limited, trading as Mr Lender, gave him loans he couldn't afford to repay. He says these loans trapped him into a spiral of debt and that Mr Lender should've known he was struggling financially.

background

I issued my provisional decision on this case on 6 June 2018. A copy is attached and it forms part of this final decision. The full background to this complaint is set out in my provisional decision and as such I won't reiterate it here.

In my provisional decision I explained why I thought the complaint should be upheld in part and asked both parties for further comments. Mr D accepted my provisional decision. Mr Lender didn't respond.

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 taken into account the law, good industry practice and any relevant regulations at the time.

As Mr D accepted my provisional decision and as Mr Lender hasn't given me anything else to think about, I see no reason to depart from my provisional findings. I'm therefore upholding this complaint in part, for the same reasons as given in my provisional decision.

my final decision

I uphold the complaint in part. PDL Finance Limited must put things right by doing what I set out in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 July 2018.

Matthew Bradford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr D says PDL Finance Limited, trading as Mr Lender, gave him loans he couldn't afford to repay. He says these loans trapped him into a spiral of debt and that it should've known he was struggling financially.

background

Mr D had four loans with Mr Lender, all of which were instalment loans. I've set out some of the details Mr Lender has provided about the loans in the table below.

Loan no.	Amount borrowed	No. instalments	Largest instalment	Date borrowed	Date repaid
1	£350	5	£149.92	03/05/2017	23/05/2017
2	£500	3	£274.66	25/05/2017	05/06/2017
3	£700	4	£376.60	15/06/2017	27/06/2017
4	£700	6	£261.33	02/07/2017	18/07/2017

Our adjudicator considered the complaint and thought it should be upheld in respect of loans 3 and 4. Mr Lender didn't agree with the adjudicator so the complaint was passed to me to decide.

my provisional 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 taken into account the law, good industry practice and any relevant regulations at the time.

At the time Mr D took out the loans, Mr Lender was regulated by the Financial Conduct Authority (FCA). The regulations included the Consumer Credit sourcebook (or 'CONC') – which has a section on responsible lending (CONC 5).

CONC 5.2.1R (1) says businesses must carry out creditworthiness checks before deciding whether to lend. And CONC 5.2.3G sets out what these checks may include. Broadly speaking, it says the checks should be proportionate and may include factors such as the type and amount of credit, the cost of the credit, the financial situation of the creditor, their credit history and their existing financial commitments.

Mr Lender says it carried out credit checks and asked Mr D about his income and expenditure. It also at one point asked Mr D for a copy of a payslip.

Loans 1 and 2

I think the checks Mr Lender carried out were proportionate and that Mr Lender reasonably concluded from them that these loans were affordable.

It seems Mr D told Mr Lender his monthly income was around £1,310. Mr Lender says it also asked Mr D about his expenditure and as a result of this recorded disposable income each month of £600-£744. Mr Lender's expenditure questions incorporated mortgage/rent, utilities, food and travel, council tax, 'other' loans and 'other' regular outgoings. It also recorded that Mr D had no dependents.

I think it was reasonable for Mr Lender to rely on these figures and as they suggested the instalments were all affordable, I don't think the business did anything substantially wrong when it gave Mr D these loans. I don't therefore intend to uphold the complaint about these loans.

Loans 3 and 4

I do not consider the checks Mr Lender carried out for these loans were proportionate. I can see that Mr Lender obtained a copy of Mr D's payslip, which confirmed his monthly income was £1,310.

But I also note that loan 3 was Mr D's third loan in just over a month (43 days). Between 3 May and 15 June, Mr D had borrowed over £1,500 from Mr Lender. Loan 4 started just five days after loan 3 ended and was for the same amount. The total amount Mr D had now borrowed within the 60 days in which the four loans were granted was £2,250.

These loans were both much larger than the preceding loans and were for over half of Mr D's monthly income. The loans were due for repayment in instalments, but that's not how Mr D was really treating them – loan 1 was repaid within 20 days and loan 2 within 11. I think that's something Mr Lender should've taken into account when Mr D applied for loans 3 and 4.

I think it was right that Mr Lender asked Mr D for some evidence of his income – but I think it should've also taken steps to independently verify his outgoings. This could include (but isn't limited to) asking for copies of bank statements.

I've reviewed Mr D's bank statements for May – I think it's a fair and reasonable way for me to determine what proportionate checks are likely to have shown.

Having done this, I noted that Mr D spent almost £3,500 on gambling in this month. He also borrowed over £1,000 from other short-term lenders, which he seems to use to fund the gambling. This pattern continues into the following months.

So I currently think proportionate checks would've likely revealed that Mr D wasn't using short-term loans to meet a temporary cash flow problem, but to fund gambling. And I don't think a responsible lender would've lent in these circumstances, particularly when taking into account how much Mr D was spending.

I appreciate that Mr Lender says it did ask Mr D what he was using the funds for and whether he was using them for gambling. But as I've explained above, I think Mr Lender needed to go further with its affordability checks in the circumstances of loans 3 and 4.

For the reasons given above, I plan to uphold the complaint about loans 3 and 4.

what Mr Lender needs to do to put things right

I plan to say Mr Lender must:

- refund all the interest and charges Mr D paid on loans 3 and 4
- add interest at 8% simple per year to the above from when Mr D paid them until he gets the refund[†]
- remove any adverse information about loans 3 and 4 from Mr D's credit file

[†] HM Revenue & Customs requires Mr Lender to take off tax from this interest. Mr Lender must give Mr D a certificate showing how much tax it's taken off if he asks for one.

my provisional decision

I plan to uphold the complaint in part and to tell PDL Finance Limited to put things right by doing what I've set out above.

[signed]

Matthew Bradford
ombudsman