

complaint

Mr Q has complained that PDL Finance Limited (trading as Mr Lender) did not carry out appropriate checks into his credit history when he applied for credit with them, and the loans were not affordable.

background

Mr Q took out a loan with Mr Lender in 2011 for £200. This loan rolled over a number of times and was paid off in full in December 2011. A year later Mr Q applied for a further loan which was granted. Within a few months, he was unable to pay off the remaining money so a repayment plan was set up which froze interest charges. This was repaid in full in August 2013. A week later, Mr Q applied for a further loan. Mr Lender rejected his application.

He complained to the ombudsman service in April 2014 and we brought his complaint to the attention of Mr Lender. They considered that they had undertaken appropriate affordability and employment checks. Our adjudicator felt that Mr Lender would have known by the amount of times his first loan was rolled over, that Mr Q may have been in financial difficulties. Overall she thought it fair that Mr Lender give Mr Q £150 as redress for his financial loss. Mr Lender agreed with this outcome but Mr Q has asked an ombudsman to review his case.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The details of the loans that Mr Q applied for, and repaid, are not in dispute. He feels that Mr Lender did not carry out the appropriate checks on his credit file.

The first loan that Mr Q applied for was £200. Mr Lender was under no obligation to carry out a credit check but did ask him for details of his employment. Mr Q stated that his income was over £1,900 per month. On the basis of Mr Q's stated income and the relatively low amount he was asking to borrow, I believe Mr Lender's actions were proportionate at the time they considered his first loan application.

What they will have become aware of pretty quickly though is that Mr Q may have been having difficulties in paying this amount off. He accepted the ability to roll over the debt and pay further interest on a number of occasions, and eventually paid off in full in December 2011. Mr Lender is aware of the Office of Fair Trading guidance on irresponsible lending which considers repeated rolling over of short-term credit to be an unfair business practice. I agree with our adjudicator's assessment that it would be fair for Mr Lender to pay Mr Q £150 in redress for his financial loss.

It was a further year before Mr Q applied for a loan of £450. There is no indication that Mr Lender checked Mr Q's credit file before they accepted his application. That said, as soon as he informed them he was in financial difficulties they froze the interest charged to his account and set up a repayment plan. I consider their treatment of Mr Q at that time to be fair and reasonable.

It's worth stating that if a check had been done on Mr Q's credit file, any prospective lender would have seen that he had a number of financial commitments. Mr Q was in a situation where he felt he had no option but to borrow where he could to meet his commitments. I have no doubt that if Mr Lender had turned Mr Q down, as they did later, he would have tried to take out credit elsewhere.

I appreciate Mr Q now feels strongly that Mr Lender should never have given him the loans he applied for but I am satisfied that this is not the case. These can be considered as affordable based on the information Mr Q provided to them. However as Mr Lender agreed to roll over his first loan on a number of occasions, I consider it fair that overall Mr Lender pay Mr Q £150 in redress for his financial loss.

my final decision

For the reasons stated above, my final decision is to partially uphold Mr Q's complaint and instruct PDL Finance Limited (trading as Mr Lender) to pay him £150 in full and final settlement.

Sandra Quinn
ombudsman