

complaint

Mr I complains that PDL Finance Limited (trading as Mr Lender) lent him loans he couldn't afford to repay.

background

Between December 2012 and May 2014, Mr I took nine loans with Mr Lender, rolling over seven times. He says that if it did proper checks it would have known that the loans were unaffordable.

Our adjudicator thought the complaint should be upheld. She asked Mr Lender to refund all the interest and charges he'd paid since the second loan. She also asked it to remove all information recorded about the loans on Mr I's credit file.

Mr Lender didn't agree, so the complaint has been passed to me for review.

my findings

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

Mr I's bank statements and credit file show that during the time Mr Lender was giving him loans, he was in a cycle of debt, borrowing from a number of payday lenders to repay loans. In July 2014 he told Mr Lender he was in financial difficulties and it agreed a repayment plan. Mr I has repaid all his Mr Lender loans.

Mr Lender says it carried out affordability checks before granting all Mr I's loans. It says it confirmed where he worked, did a credit check and completed an income and expenditure assessment, before granting the first loan. Mr Lender says it relied on the information Mr I gave it and he had a responsibility to ensure that the information was accurate.

I agree that Mr I had a responsibility to borrow responsibly, but I think the business has the greater responsibility to lend responsibly. I accept that Mr Lender relied on the information Mr I gave it about his income and outgoings and its credit search for the first loan; But, I think that after the first loan, there were a number of factors which should have alerted it that the loans were unaffordable.

Mr Lender's credit checks show that Mr I opened and settled a high number of accounts. Mr Lender says this was evidence of his ability to pay. I disagree; I think that this high number of accounts being opened and settled by Mr I should've indicated that Mr I might be using other payday lenders and should have caused it to carry out more checks.

In any event, I think that Mr I's pattern of borrowing indicated that he was in financial trouble; whilst I accept that payment wasn't rolled over more than three times for any individual loan, he did roll over on seven occasions, with the last loan being repaid on a repayment plan. The amount he borrowed doubled from his initial loan to his second loan of £400. Whilst the amounts being borrowed between his third and fourth loans were for smaller amounts; this again increased, up to £500 for the fifth loan and £600 for the sixth loan. By his final loan his borrowing had increased to £800.

I haven't seen any evidence to show that Mr Lender carried out any further checks that were proportionate for the larger amounts it lent or that it offered him. Nor is there any evidence that it carried out additional checks, after declining some of his loan applications and then granting them shortly afterwards. I can also see that Mr I was given his second loan only days after settling his first loan. And again it gave him the fifth and sixth loan shortly after he settled the previous loan.

In the circumstances, I think that there were a number of factors that signalled that Mr I was in financial difficulties. These factors should've prompted Mr Lender to make further enquires about his circumstances, had it done this after the first loan, it would have realised that the loans were unaffordable and I don't think it would have granted him anymore loans.

I think that Mr Lender should refund Mr I all interest and charges he paid, from the second loan onwards, with interest. As I don't think it was responsible for Mr Lender to continue to lend to Mr I after the first loan, I think it should remove all information recorded about the unaffordable loans.

my final decision

To resolve the complaint PDL Finance Limited (trading as Mr Lender) should;

- refund Mr I all the interest and charges applied from the second loan onwards, with 8% simple interest per annum added from the date of each payment to the date of settlement.
- remove all information recorded about loans from the second to the last loan on his credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 6 November 2015.

Karen Dennis-Barry
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