

complaint

Mr A complains that PDL Finance Limited (trading as Mr Lender) gave him unaffordable instalment loans. He wants a refund of the charges he paid with interest.

background

Mr A had four loans from Mr Lender between May 2016 and January 2017. He said he was in financial difficulties and borrowing to repay other loans and fund a gambling habit. But Mr Lender said it had carried out sufficient affordability checks that showed that Mr A could afford the loans.

Our adjudicator recommended that the complaint should be upheld in part. He thought Mr Lender's affordability checks had gone far enough for loans one and two. These looked affordable from the information Mr A provided, so he thought it was reasonable for Mr Lender to approve them.

But the adjudicator didn't think Mr Lender had asked enough questions for loans three and four. He thought if it had asked Mr A about his other short-term loans, it would have seen that he couldn't afford to repay loans three and four. So he thought it had been wrong to approve them. He thought Mr Lender should refund Mr A's interest and charges for loans three and four, with interest, and remove any related adverse information from his credit file.

Mr Lender agreed to do this. But Mr A wanted it to reduce the balance he owed. He said it had offered to clear this for around £500 and he wanted this offer honoured. Mr Lender agreed to do this but Mr A then thought Mr Lender shouldn't have approved loans two, three or four. He said he couldn't afford to repay the reduced balance.

my findings

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

Mr A's first loan was for £500 and was to be repaid in three monthly instalments with the highest being £322.66. Loan two was for £750 to be repaid in six instalments with the highest being £285. Three weeks after repaying this loan early, Mr A borrowed £1,000. This was to be repaid in six instalments, with the highest being £373.33. Mr A repaid this after a week and then a week later borrowed £1,000 again. Loan four was to be repaid in twelve instalments with the highest being £285.83. This loan wasn't repaid and a balance remains outstanding.

Mr Lender was required to lend responsibly. It should have made checks to make sure Mr A could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr A was borrowing, and his lending history. But there was no set list of checks Mr Lender had to do.

Mr Lender said it asked Mr A for his monthly income which he said was between £2,000 and £2,400 a month. It also asked him for his monthly expenditure. Mr Lender said he told it this was £1,390 and £1,009 for loans one and two, £1,560 for loan three and £1,695 for loan four. Mr Lender told us that this expenditure included other short-term loans. But from its loan application page, all I can see is that it asked about other loans, not short-term loans specifically. Mr Lender carried out a credit check. It said this showed nothing untoward.

I agree with the adjudicator that these checks went far enough for loans one and two. These were Mr A's first loans from Mr Lender. I think it could then reasonably rely on what he told it about his finances as I can't see that there any causes for concern. So I think Mr Lender's affordability checks for loans one and two were proportionate and sufficient.

From these checks, Mr A looked to have ample disposable income to be able to afford to meet his instalment repayments comfortably. So I can't say it was wrong for Mr Lender to approve these two loans.

Mr Lender has already agreed to offer redress I would have required for loans three and four, so I won't look at these loans further.

Mr Lender has also agreed to honour its offer to reduce the balance Mr A owes for loan four to £527.73. This is more than I'd recommend as our approach is usually that consumers should repay the principal as they've had the benefit of it. The redress I'd usually require would leave Mr A owing around £800. So Mr Lender's offer leaves Mr A much better off. I can appreciate that Mr A will find it difficult to repay this amount. But I can see no reason to require Mr Lender to further reduce the balance he owes.

my final decision

My final decision is that I uphold this complaint in part. I require PDL Finance Limited (trading as Mr Lender) to do the following, as it's already agreed to do:

1. Reduce the outstanding balance owed by Mr A to £527.73 and agree an affordable repayment plan.
2. Remove any adverse information relating to these loans from Mr A's credit file if the remaining balance is repaid within three months of this complaint being settled.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 November 2018.

Phillip Berechree
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