

complaint

Miss G complains that PDL Finance Limited, trading as Mr Lender, lent to her irresponsibly.

background

I attach my provisional decision dated 20 June 2019, which forms part of this final decision and should be read in conjunction with it. In my provisional decision I explained why I intended to uphold Miss G's complaint in part. I invited both parties to provide any further evidence or comments they may have by 27 June 2019 before I reached a further decision.

Miss G and Mr Lender have told us that they nothing further to add.

my findings

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

As neither party has sent me anything further to review, then I see no reason to alter the conclusions I reached in my provisional decision on 20 June 2019.

I uphold Miss G's complaint for Loans 3 to 6.

putting things right – what Mr Lender is to do

I have decided that Mr Lender should not have given Miss G some of the loans, so it's not right that Miss G should have to pay interest or charges on these, or have them affect her credit file in a negative way. I direct that Mr Lender should do as follows:

- refund any interest and charges already paid by Miss G in respect of Loans 3 to 6 inclusive; and
- apply 8% simple interest per year to any interest and charges refunded from the date they were paid to the date of settlement*;
- remove any adverse payment information about the loans from Miss G's credit file.

*HM Revenue & Customs requires Mr Lender to take off tax from this interest and it must give Miss G a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons set out above and in my provisional decision dated 20 June 2019, I uphold Miss G's complaint in part.

PDL Finance Limited trading as Mr Lender should put things right for Miss G in the way I have set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss G to accept or reject my decision on or before 28 July 2019.

Rachael Williams
ombudsman

provisional decision extract appears on the next page

the main part of my provisional decision dated 20 June 2019

background

Mr Lender has sent to us some details about the agreements and approved loans. I have done a brief loan table which appears here.

loan	approved	amount	repaid sums (rounded)	repaid dates
1	18 July 2013	£300	£475 \$	23 August 2013
2	7 September 2013	£500	£667	14 September 2013
3	7 October 2013	£650	£862	25 October 2013
4	27 October 2013	£200	£277	26 November 2013
5	6 December 2013	£350	£801 \$\$\$	26 March 2014
6	21 April 2014	£300	£459 \$\$	29 July 2014

\$ = rollover applied

\$\$ = two rollovers applied

\$\$\$ = three rollovers applied

One of our adjudicators looked at this complaint in April 2019 and came to an opinion that Mr Lender should put things right for Miss G for Loans 2 to 6. Mr Lender said that it wanted to know more information about what this service would have recommended by way of checks for this series of loan applications by Miss G.

A second opinion was sent. Mr Lender was not content and criticised it by saying: *'Rather than using an expenditure assessment based on testament and probability, we request that you would consider the expenditure assessment declared by Miss G at the time of her application.'*

A third opinion was sent in May 2019 by a second adjudicator with some additional points included but the same outcome.

Both parties have asked that an ombudsman look at the case. Miss G requested it because she wished the matter to be accelerated to a conclusion. Mr Lender requested it because it does not accept our adjudicator's opinion as it says it was a *'templated'* view and not a proper assessment.

From Miss G's response to our adjudicator's view I understand that she takes no issue with the non-uphold opinion in relation to Loan 1 and so I do not plan to review that loan.

The complaint remains unresolved for Loans 2 to 6 inclusive and so has been passed to me.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they are borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves did not set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key element was that any checks needed to be proportionate and had to take into account a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

Mr Lender says that it carried out credit checks. I have seen a summary of the results which show a credit score which out of context means very little. Included in the summary were no other real details. So I attach little weight to the details. But what I do gather from this is that credit checks were carried out before each loan approval. And based on what it saw from this it decided to lend to Miss G as a result.

Miss G applied for the loans and Mr Lender has told us that Miss G declared that she was living at home with her parents, working full time, and her net monthly income was £1,440. From recent letters from Mr Lender it sought to demonstrate to us that Miss G had declared very little in the way of expenditure and therefore it proceeded to evaluate her on the basis that her expenditure was £150 for Loans 2 and 3 and £295 for Loans 4 and 5. For Loan 6 the declared expenditure according to Mr Lender's submissions was £700. What this would have meant is that for the earlier loans it would have appeared to Mr Lender that she had a high level of disposable income.

Loan 2

Loan 2 was for a sum of £500, the repayments for which were £667 and that can be calculated as being about 46% of her declared net monthly income. So it represented a significant proportion of her net salary. I think that alone would have been enough to alert Mr Lender that maybe additional checks ought to have been carried out. So I would have expected that it knew of her income and regular expenditure and financial commitments as declared together with knowledge of any outstanding short term loan commitments (STL) she may have had at the time in September 2013.

Mr Lender's detailed credit check results have not been sent but I have looked at Miss G's personal credit file. It is dated November 2018 and so should cover the period from December 2012 to November 2018.

Whilst I appreciate that it may not reveal the same sort of information and detail a credit bureau check set of results would reveal it is a fairly good source of information or me to see what sort of financial position Miss G found herself in at that time. From that I can see Miss G took an instalment loan with another well-known lender (Lender X) on the same day as she took this Loan 2. But as it was the same day I do not think it was likely that Mr Lender would have been aware of that commitment. And so I have discounted it.

So I turn to Miss G's regular expenditure. Our adjudicator has suggested that it's likely her expenditure over a month was higher than the £150 Mr Lender has told us it was, and I have to agree. But I do not plan to use all of the expenditure figures our first adjudicator used when assessing Miss G's complaint. I say this because this information appears to relate to a period later than this period of July 2013 and April 2014. And so I do not think was right.

For all of these applications (including Loan 2) Mr Lender has told us that Miss G had said to it that she was living at home. So what I have decided to do in fairness to both parties is to take the expenditure figures but without the rent and council tax figure. So that leaves me with a regular expenditure figure of about £578 to cover phone, car and transport, food and child costs.

So I think that with these figures factored in which is the best I can make of the information available to me, then it would have looked as though Miss G could have afforded Loan 2. I do not plan to uphold this part of Miss G's complaint.

I do not have any bank statements for this period from Miss G and it is open to her to obtain these from her bank (even though the account was closed last year) and send them to me. If either party wishes to send me additional documents or evidence then I will review the complaint in a month's time.

Loans 3 to 6

From Loan 3 onwards I consider that checks proportionate to the loans applied for warranted a full financial review of Miss G's financial situation.

I plan to use the same regular expenditure and financial commitments figure of £578 as outlined above. And using her personal credit file I can see that Miss G was regularly borrowing from other payday lenders and instalment (high-cost) loan lenders. These included Lender X but also at least three other lenders as well. Often Miss G took more than one short term loan in a month as well as these from Mr Lender. Her declared income was £1,440.

I have not got anything to verify that income as £1,440 each month but as I know that Mr Lender had carried out credit searches it's likely that they had verified her income at around that level. So I will proceed on that basis.

Miss G has mentioned gambling to us and to Mr Lender. In its Final Response Letter to her when she first complained to it, the reply included the following:

If you would have made us aware [sic] a change in your mental health or that you had a gambling habit, your loan applications would have not been approved due to not meeting our lending criteria.

I have nothing to know if this was the case and so unless I receive more to show me this I am not able to make any findings in relation to Miss G's gambling.

But I do not think that it is necessary as the short term loan commitments I have seen for Miss G from 7 September 2013 through to 1 April 2014 with Mr Lender and other lenders makes me conclude very easily that Miss G was not in a position to be able to afford the loans from Mr Lender. A responsible lender is not likely to have lent to Miss G in those circumstances.

I am planning to uphold Miss G's complaint in relation to Loans 3 to 6 inclusive.

Because I am planning to decide that Mr Lender should not have given Miss G some of the loans, it's not right that Miss G should have to pay interest or charges on these, or have them affect her credit file in a negative way. I am planning to direct that Mr Lender should do as follows:

- refund any interest and charges already paid by Miss G in respect of Loans 3 to 6 inclusive; and
- apply 8% simple interest per year to any interest and charges refunded from the date they were paid to the date of settlement*;
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end of extract