DRN-4601088

The complaint

Mr A complains that PDL Finance Limited, trading as Mr Lender ("Mr Lender"), lent to him irresponsibly.

What happened

A summary of Mr A's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number instalments	highest repayment per loan
1	£200.00	17/11/2022	28/04/2023	4	£101.20
2	£430.00	06/06/2023	31/01/2024	6	£160.32

Mr Lender issued its final response letter and it explained that its checks showed the loans were affordable. The complaint wasn't upheld. Unhappy with this response, Mr A then referred his complaint to the Financial Ombudsman.

One of our investigators looked at the complaint and he explained why he wasn't going to uphold Mr A's complaint. The investigator thought the checks Mr Lender carried out showed that Mr A would likely be able to afford his repayments.

Mr A didn't agree with the investigator's assessment saying in summary:

- Mr A had a number of missed payments recorded on his credit file, from a credit card in October 2022 and then further missed payments on different accounts between March and June 2023.
- Mr A was fully utilising his available credit and was "*living in*" two overdrafts.
- After loan 1 was requested, Mr A approached Mr Lender for a further £50 top up but was declined – being told he would need to settle the loan before reapplying.
- Mr A also had problems repaying loan 1 including one month's payment being declined.
- Mr A took further payday loans from other lenders at the start of 2023 and in the days before applying for the second Mr Lender loan he had been declined a loan from another high-cost credit provider.

As no agreement could be reached the complaint has been passed to me for a decision.

What I've decided – and why

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

Mr Lender had to assess the lending to check if Mr A could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances.

Mr Lender's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr A's income and expenditure. I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Mr Lender should have done more to establish that any lending was sustainable for Mr A. These factors include:

- Mr A having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr A having a large number of loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr A coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr A. But I don't consider that this applied to Mr A's circumstances given only two loans were advanced.

Mr Lender was required to establish whether Mr A could sustainably repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr A was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr A's complaint.

Having considered everything that Mr Lender did before it lent this loan – along with the comments Mr A has provided, I am satisfied that proportionate checks were carried out by Mr Lender which showed it that Mr A would likely be able to afford his repayments, and I've explained my reasoning below.

For these loans, Mr Lender asked Mr A to declare his income and expenditure and it also carried out a credit search. Mr A declared that his net monthly income was £1,500 a month for loan 1 and £1,650 per month for loan 2.

Mr Lender said it verified Mr A's income for loan 2 by using a tool provided by a credit reference agency. The result of that check indicated to Mr Lender that what Mr A had declared was accurate – for the first two loans I think it was reasonable for Mr Lender to have used this income figure for its affordability assessment.

Mr A was asked to declare monthly outgoings across a number of different categories including mortgage / rent, credit commitments, utilities and travel to name a few. Mr A's outgoings have been recorded as being £1,289 for loan 1 and £1,117 per month for loan 2. Based solely on the income and expenditure information Mr Lender gathered Mr A had potentially enough disposable income to afford the largest repayment for the loan.

Mr Lender also carried out a credit search and it has provided the Financial Ombudsman with a summary of the results it received from the credit reference agency. I want to add that although Mr Lender carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. This can mean that the results a lender may see could be different to the information that a consumer can view in the credit report they can download from a credit reference agency.

However, if the information given to Mr Lender indicated that Mr A was either in financial difficulties or couldn't afford the loan, then I would expect it to react to that and take a different course of action. However, if the credit check results didn't show any signs of ongoing repayment problems and / or didn't show that Mr A was over his credit limits and / or utilising his overdrafts then I wouldn't expect it to have investigated any further.

Having looked at the credit results summary Mr Lender has provided, there wasn't anything in my view, that would've led it to have carried out further checks. It knew Mr A wasn't insolvent either through an Individual Voluntary Arrangement, bankruptcy or had a County Court Judgement within the three years preceding the loan.

It was also told for both loans that Mr A didn't have any outstanding "*AAI*" – which means advanced against income which is another name for a payday loan. So, the information Mr Lender received suggested that Mr A wasn't reliant on payday loans at the time. The information, Mr Lender collected from Mr A as part of his affordability assessment also didn't suggest that he was reliant on other loans either.

The credit checks results received by Mr Lender didn't indicate that either Mr A was fully utilising his overdrafts or had missed payments on the accounts he outlined in his response to the investigator. I'm satisfied that as Mr Lender didn't appear to be aware of this it couldn't factor this into its assessment. Earlier on in the decision, I explained that there wasn't a set standard of credit check that needed to have been conducted so in those circumstances I can't conclude Mr Lender has made an error.

Finally, Mr A has said that he had problems repaying his first loan. I can see that he utilised the option to pay an interest only payment and he did this when his first payment was due in December 2022. But the fact Mr A had made use of the deferment wouldn't be enough of a reason for Mr Lender to have believed that loan 2 was unaffordable or unsustainable.

I've also seen that Mr A had problems with his payment due in February 2023. The email he has provided showed that Mr Lender emailed him to let him know that the card payment due on 28 February 2023 was declined and he was encouraged to either ask Mr Lender to try again or to make alternative payment arrangements.

The statement of account shows he made the payment on the same day, and as there were no other payment problems with the loan, I don't think this issue would've led to Mr Lender investigating his application more thoroughly when loan 2 was granted.

Overall, it was reasonable for Mr Lender to have relied on the information that Mr A provided about his income and expenditure as well as the credit check results that Mr Lender received before each loan was granted. The checks Mr Lender carried out were proportionate and showed that Mr A should be able to afford the repayments. There also wasn't anything else to suggest the loan would either be unaffordable or unsustainable for him.

I am therefore not upholding Mr A's complaint.

My final decision

For the reasons I've outlined above, I am not upholding Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 April 2024.

Robert Walker
Ombudsman