

The complaint

Mr E says Lendable Ltd irresponsibly lent to him.

What happened

This complaint is about a 36-month instalment loan for £1,550 that Lendable provided to Mr E on 12 March 2021. The monthly repayments were £73.73 and the total repayable was £2,597.45.

Mr E says Lendable did not properly take into account his financial situation. His bank statements would have shown he was gambling and that the loan was not affordable for him.

Our investigator did not uphold Mr E's complaint. He said Lendable's checks were proportionate and did not give any reason not to lend.

Mr E asked for an ombudsman's review re-iterating the reasons he thought Lendable was wrong to lend to him and adding he should be entitled to the interest back.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr E's complaint. These two questions are:

1. Did Lendable complete reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the loan without experiencing significant adverse consequences?

- If so, did it make a fair lending decision?
- If not, would those checks have shown that Mr E would've been able to do so?

2. Did Lendable act unfairly or unreasonably in some other way?

The rules and regulations in place required Lendable to carry out a reasonable and proportionate assessment of Mr E's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Lendable had to think about whether repaying the loan would cause significant adverse consequences *for Mr E*. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr E undue

difficulty or significant adverse consequences.

In other words, it wasn't enough for Lendable to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr E. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr E's complaint.

Lendable has provided evidence to show that before lending it asked for some information from Mr E. It asked for his monthly income, his employment status and his residential status. It completed an income verification check with a third-party and, it says, further verified this as Mr E gave access to his online banking. It carried out a credit check to understand his credit history and his existing credit commitments. Based on these checks Lendable thought it was fair to lend.

I think these checks were proportionate given the value of the loan and the early stage in the lending relationship. In addition, the monthly repayment was less than 4% of Mr E's net income.

I also think Lendable made a fair decision based on the information it gathered. The credit check showed that Mr E had a low level of debt when he applied - £1,521. And he was up-to-date with all his active accounts, and had been for the 36 months prior. There were two defaults on his file, but these were from 2015 and it would not have been fair for Lendable to decline his application based on such historic data.

Mr E argues that his bank statements would have showed multiple gambling transactions. But a lender is not obliged to check bank statements and for the reasons set out above I don't think it would have been proportionate for Lendable to carry out a more detailed financial review which might have revealed Mr E was having problems managing his money. That said, Lendable says it did see Mr E's bank statements as he accessed them online when he applied. It explains double-checked his salary this way. And it says it did not see any gambling transactions on the account. As Lendable seems not to have kept a record of what it saw I can't validate this. And I accept that this does not mean Mr E wasn't gambling – he may have used more than one current account, or funded it some other way. But this does not change my conclusion as I have found in the circumstances of this application the checks were proportionate, and based on what they showed the lending decision fair.

It follows I don't think Lendable was wrong to lend to Mr E.

Did Lendable act unfairly or unreasonably in some other way?

I don't find that it did. I can see Mr E had problems meeting his repayments. Lendable appears to have responded appropriately, placing the account on hold and later agreeing to a reduced repayment plan.

My final decision

I am not upholding Mr E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 21 June 2022.

Rebecca Connelley
Ombudsman