DRN-3388217

The complaint

Mr L complains that Lendable Ltd (trading as "Lendable") lent to him in an irresponsible manner.

What happened

Mr L was given a loan by Lendable in August 2021. He borrowed £1625 and agreed to repay this over 36 months. Mr L had an amount outstanding to repay on this loan when he first made his complaint to Lendable.

Mr L's complaint has been assessed by one of our investigators. After reviewing all of the documentation sent by both parties, they felt Lendable had not done anything wrong when it agreed to give Mr L the loan.

Mr L didn't agree with our investigator. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide.

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.

Our approach to irresponsible lending complaints is set out on our website and I've followed it here.

Before agreeing to lend, lenders must work out if a borrower can afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation. A lender must take reasonable steps to satisfy itself that the borrower can sustainably repay the loan – in other words, without needing to borrow elsewhere.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. For example, when thinking about what a borrower has left to spend on a new loan after paying other expenses, as well as taking into account the loan amount, the cost of the repayments and how long the loan is for, a proportionate check might mean a lender should also find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

I've kept all these things in mind, and I've thought carefully about the information Lendable relied on when it decided to lend to Mr L.

Lendable gathered some information from Mr L before it agreed to lend. It asked Mr L about his income. It says it verified his income using an online tool. It carried out a credit check and could see what commitments Mr L held at the time and whether he had any credit impairment. It also says it carried out an affordability check and looked at Mr L's debt to income ratio.

Mr L was entering into a fairly significant commitment with Lendable. He was agreeing to make monthly repayments for a period of 3 years. So, I think it is right that Lendable wanted to gather, and independently check, some detailed information about Mr L's financial circumstances before it agreed to lend to him. I can see that it didn't gather information about Mr L's expenditure. But I can also see that the loan and monthly repayment were relatively low compared to Mr L's income. So, when I consider this and also that this was his first loan with Lendable, I think that the checks it did were sufficient to achieve that aim. I think Lendable's checks on balance, were proportionate.

But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. Those results might sometimes lead a lender to undertake further enquiries into a consumer's financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. So, I've looked at what Lendable gathered to see whether it needed to ask for more or whether it made a fair lending decision.

I have looked at the credit search that Lendable conducted. The search showed that Mr L had 11 active accounts. I've looked through these and his most recent settled accounts to the date he applied for the loan. In general, I think his finances were well managed and I can't see anything that ought to have given Lendable concerns here or at least not enough that it ought to have carried out further enquires. So, I don't think Lendable would have had any concerns by what its search showed it.

I think when I consider how much Mr L's verified monthly income was, and what was showing on his credit report as well as the affordability indicators lendable used, I think the credit he applied for with it did seem affordable for him.

Mr L has submitted bank statements to our service for the 2 months leading up to the loan application he made to Lendable. When I look through these, I can see that Mr L had several gambling transactions listed in particular in June 2021. Lendable might have considered these transactions as potentially a sign that Mr L was struggling with his finances, if it had carried out further checks and uncovered this. But I think that the checks Lendable performed were proportionate and didn't suggest that Mr L was facing any current problems in managing his finances, from the information it did gather. I think Lendable was entitled to rely on what Mr L said about his finances, and his circumstances at the time. And that information suggested that he would be able to sustainably afford the repayments on the loan. So, I don't think Lendable was wrong to give the loan to Mr L.

My final decision

My decision is that I do not uphold Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 17 May 2022.

Mark Richardson
Ombudsman