

The complaint

Mr G has complained that Lendable Ltd (“Lendable”) provided him with an unaffordable loan.

What happened

Lendable provided Mr G with a loan of £7,500.00 in October 2020. This loan had a 12-month term with a monthly repayment amount of £764.96. This all meant the total amount repayable of £9160.22 was due to be repaid.

I issued a provisional decision on this complaint on 25 January 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Were Lendable’s checks reasonable and proportionate?”

Lendable says that it carried out proportionate checks. It told us that it asked Mr G about his monthly income and he told it this was £6728. It said it verified this using an online verification tool. It then said it carried out a credit check and this didn’t show any impairment such as defaults or missed payments. It says there were two accounts of note. These two being credit cards with small balances of £150 and £94. It says when it looked at Mr G’s income and considered his credit search results as well as what its verification tool and its indicators were telling it, it shows the loan repayment of £764.96 was affordable.

I can see why Lendable would draw the conclusions it has. Mr G’s verified monthly income was relatively high and the credit search that it carried out showed little. But from what it has told me, I think the checks it carried out here were in this instance not detailed enough. I say this as the monthly repayment was relatively high also. I think it ought to have wanted to obtain a bit more information to assure itself that Mr G was able to repay the loan in a sustainable way. I think it should have at least asked some questions to Mr G about his essential expenditure such as his living costs, his accommodation and household bills. It could also have asked him about any other credit he may have more recently taken out. I can’t see that it did this or assess what his disposable income would be and so I don’t think it carried out proportionate checks in this instance.

In conclusion and for the reasons given above, I don’t think that the checks Lendable carried out before providing Mr G with his loan were reasonable and proportionate.

Would reasonable and proportionate checks have indicated to Lendable that Mr G would have been unable to repay this loan?

As reasonable and proportionate checks weren’t carried out before this loan was provided, I can’t say for sure what they would’ve shown. So, I need to decide whether it is more likely than not that a proportionate check would have told Lendable that Mr G would have been unable to sustainably repay this loan.

Mr G has provided our service with bank statements from the period of time before this loan was granted. I've carefully considered the information provided within these statements. Having done so, I can see that Mr G had taken out two fairly large short-term loans shortly before he applied for this one. These two loans had not at the time Mr G requested this one, shown up on the credit search that Lendable carried out. The first was taken out on 24 August 2020 and this was for around £6610. The second was only 4 weeks before the application for this loan on 02 October 2020 and was for £5000. In total Mr G would have taken out 2 short term loans for £11610 and was now requesting a third for £7725 from Lendable. I think on seeing this, Lendable ought to have had concerns about Mr G's finances and the likelihood that he had become reliant on short term credit and was having problems with his finances.

This conclusion is supported by transactions on Mr G's statements to an offshore payment processing company. This Mr G has explained are payments to gambling sites. Mr G says he had problems with gambling at the time he asked for this loan and the others that he obtained shortly before this one also. He has pointed to this as the reason why he was requesting such a lot of short-term credit in a short space of time. I think on balance, when consider what Mr G has said about gambling and see his statements, I can see the loan amount being taken and also the many transactions to this payment processing company. I currently think he was having problems managing his finances here. And I think if Lendable had carried out further checks it would have seen this too.

In these circumstances, it is apparent to me that further checks would have shown Lendable that Mr G was unlikely to have been able to repay this loan without borrowing further and experiencing further financial difficulty.

So, it follows that I currently think that Lendable needs to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr G responded and had no further points to add. Lendable responded and raised some additional points.

Lendable said although the monthly repayment may seem high in pounds and pence it represented a low proportion of Mr G's income. It says the affordability checks it carried out were proportionate to the lending. It estimated that Mr G would be spending around 11.4% of his monthly income on debt, allowing for 88.6% headroom for his living expenses. It says based on this, it feels it took reasonable and proportionate steps to assess the loan.

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.

Lendable said that it carried out proportionate checks and that Mr G could afford the loan. It said it could see that Mr G would be spending only 11.4% of his monthly income on serving the loan repayment and this would leave 88.6% of his income left for his living expenses. I acknowledge the comments Lendable has made and in particular about Mr G's verified income. But I still think it should have carried out further checks. I say this because Lendable did not carry out an assessment on Mr G's expenditure and I think it ought to have done so considering the size and length of the loan that Mr G was applying for with it. Its checks should have been borrower focussed and I think this would have meant it carrying out further checks to ensure Mr G was able to repay the loan repayments in a sustainable way over the 12-month term.

On balance, I think Lendable should have carried out further checks, and if it had done so it would have seen that Mr G was having problems managing his finances for the reasons I have given in the provisional decision.

With that being the case, I uphold Mr G's complaint.

Putting things right

Having thought about everything, I think it would be fair and reasonable in all the circumstances of Mr G's complaint for Lendable to put things right by:

- Removing all interest, fees and charges applied to the loan from the outset. The payments Mr G made, direct to Lendable, should be deducted from the new starting balance – the £7,500.00 originally lent.
- Mr G hasn't made any repayments. So, both parties should look to agree a payment plan. I would like to remind Lendable of its obligation to exercise forbearance when it does this.
- Removing any adverse information about the loan from Mr G's credit file.

My final decision

My final decision is that I uphold Mr G's complaint. Lendable Ltd now needs to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 April 2022.

Mark Richardson
Ombudsman