DRN-3799987

Complaint

Mr W has complained about a personal loan Lendable Ltd ("Lendable") provided to him. He says the loan was unaffordable and was therefore irresponsibly lent to him.

Background

Lendable provided Mr W with a loan for £3,000.00 in January 2022. This loan had an APR of 37.19% and a term of 60 months. This meant that the total amount to be repaid of £6,046.78, including interest, fees and charges of £3,046.78, was due to be repaid in 59 monthly instalments of £100.85 and a final instalment of £96.63.

One of our adjudicators reviewed Mr W's complaint and she that Lendable ought to have realised that it shouldn't have provided Mr W with his loan. So she thought that Mr W's complaint should be upheld.

My findings

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr W's complaint. Having carefully considered everything I've decided to uphold Mr W's complaint. I'll explain why in a little more detail.

Lendable needed to make sure it didn't lend irresponsibly. In practice, what this means is Lendable needed to carry out proportionate checks to be able to understand whether Mr W could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

The information Lendable has provided suggested that it carried out credit checks before Mr W's loan was provided. The results of which showed that Mr W already had a significant amount of existing debt and had taken out other loans in the leadup to this application.

Furthermore, while Lendable says it verified Mr W's income with the credit reference agency at best all this was doing was looking at how much was going in and out of his account. I don't think that this is the same as verifying Mr W's income. And I think that it was necessary to do so in this instance give the rapid increase in Mr W's borrowing over a short period of time.

I'm also concerned that Lendable appears to have estimated Mr W's non-credit related living expenditure. And Lendable appears to have relied on the use of data to calculate this despite the fact that Mr W's increasing debt burden suggested that he didn't fit the profile of the average borrower.

I think that if Lendable had looked further into Mr W's circumstances, it would have seen that he was earning substantially less that what it believed. And when Mr W's actual expenditure is deducted from his actual income, it is apparent that he was struggling to manage his existing debts.

All of this leaves me persuaded by what Mr W has said about already being in a difficult financial position at the time. And while it's possible Mr W's financial position reflected his choices rather than financial difficulty, I'd add that my experience of these types of cases suggest this is unlikely, in the absence of any reasonable or plausible arguments from Lendable, I've been persuaded to accept Mr W's version of events here.

As this is the case, I do think that Mr W's existing financial position meant that he was unlikely to be able to afford the repayments to this loan, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more like than not have shown Lendable that it shouldn't have provided this loan to Mr W. As Lendable provided Mr W with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr W is being expected to pay interest, fees and charges on a loan he shouldn't have been provided with in the first place. So I'm satisfied that Mr W lost out because of what Lendable did wrong and that it should put things right.

Fair compensation – what Lendable needs to do to put things right for Mr W

Having thought about everything, Loans should put things right for Mr W by:

- removing all interest, fees and charges applied to Mr W's loan from the outset. The payments Mr W made should be deducted from the new starting balance – the £3,000.00 originally lent.

- if once all adjustments have been made this shows that Mr W has made overpayments on his loan, these overpayments should also be refunded to Mr W together with interest at 8% simple a year from the date they were made by Mr W to the date of settlement†;

- if no outstanding balance remains after all adjustments have been made to Mr W's loan then all adverse information recorded on Mr W's credit file as a result of this loan should also be removed.

† HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr W a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I'm upholding Mr W's complaint. Lendable Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 16 December 2022.

Jeshen Narayanan
Ombudsman