

Complaint

Mr J has complained about a loan Lendable Ltd (trading as “Lendable”) provided to him.

He says the loan was unaffordable and shouldn’t have been provided to him in the first place.

Background

Lendable provided Mr J with a loan for £4,000.00 in July 2020. This loan had an APR of 46.84% and a term of 18 months. This meant that the total amount to be repaid of £5,352.78, including interest, fees and charges of £1,352.78, was due to be repaid in 18 monthly instalments of around £300.

One of our adjudicators reviewed Mr J’s complaint and she thought Lendable shouldn’t have provided Mr J with his loan. So she thought that Mr J’s complaint should be upheld.

Lendable disagreed with our adjudicator’s assessment. So the case was passed to an ombudsman for a final decision.

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 J’s complaint.

Having carefully considered everything I’ve decided to uphold Mr J’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 J 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.

I’ve kept this in mind when looking at what Lendable did before approving Mr J’s loan application and providing him with the funds.

The information Lendable has provided suggested that it carried out a credit check before this loan was provided. The results of which showed that a significant proportion of Mr J's would be going towards repayments to credit once the monthly repayments for this loan are taken into account.

Lendable accepts this is the case. But it nonetheless says that our adjudicator's assessment this failed to recognise that the recorded purpose of this loan was debt consolidation. And therefore it was reasonably entitled to believe that Mr J's monthly repayments to credit would reduce rather than increase.

I've thought about what Lendable said. But Mr J wasn't going to be able to clear all of his outstanding balances with this loan. And while this in itself doesn't mean that it was unreasonable to proceed with a consolidation loan, it's unclear to me how or what was going to be consolidated and more crucially how this loan, which was on such disadvantageous terms, was going to reduce Mr J's outgoings going forward. So I don't think that it was reasonable for Lendable to accept the recorded loan purpose at face value in these circumstances.

Equally, while it's possible Mr J's over indebtedness 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 J's version of events. And I'm persuaded by what Mr J has said about already being in a difficult financial position at the time.

As this is the case, I do think that Mr J's existing financial position meant that he was unlikely to be able to afford the payments 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 J. As Lendable provided Mr J with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr J ended up paying interest, fees and charges on a loan he shouldn't have been provided with. So I'm satisfied that Mr J 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 J

Having thought about everything, Lendable should put things right for Mr J by:

- refunding all interest, fees (including loan fees) and charges Mr J paid on his loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr J to the date of settlement†;
- removing all adverse information recorded on Mr J's credit file as a result of this loan.

† HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr J 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 J'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 J to accept or

reject my decision before 28 February 2023.

Jeshen Narayanan
Ombudsman