

The complaint

Mr S complains that Lendable Ltd lent to him irresponsibly.

What happened

Mr S's complaint is about a loan provided by Lendable. The loan was advanced in April 2022 for £5000 over a term of 60 months with monthly repayments of £107.90.

Mr S says the lending was irresponsible.

One of our investigators looked at the complaint. He said Lendable hadn't carried out reasonable and [proportionate checks before approving the loan. The investigator said Lendable should remove all interest and charges and deduct all repayments made by Mr S from the £500 Mr S initially received and then agree an affordable repayment plan for the balance.

Lendable accepted the investigators view.

Mr S said he wanted the balance written off because he had significant financial and mental health issues.

Our investigator asked Lendable if it would consider writing off the balance. Lendable hasn't replied so I've been asked to make a final decision.

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.

The general approach to complaints about unaffordable and irresponsible lending, including the relevant key rules, guidance and good industry practice, are set out on this services website. I've had this approach in mind when considering Mr S's complaint.

Lendable needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means it should've carried out reasonable and proportionate checks to make sure Mr S could afford to repay what was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the length of the agreement, the amount of repayments, the total amount repayable and what Lendable knew about Mr S at the time he applied for the loan.

I've reviewed the information about the checks Lendable carried out. Lendable asked Mr S to declare his income on the application form. It checked Mr S's credit file via a credit reference agency.

I've thought about how much Mr S was borrowing and the length of time he was going to be making repayments for. Because of the size of the loan, in relation to Mr S's income, I think Lendable should have carried out further checks to obtain information about Mr S's income

and expenditure. I can't see that any checks were made of Mr S's expenditure, so Lendable cant have known how much (if any) disposable income Mr S had each month to make loan repayments.

I've looked at Mr S's bank statements for the period prior to the loan being approved. These show that Mr S was spending heavily on gambling. For example, in the week 12-19 April Mr S spent £8200 on gambling transactions.

If Lendable had carried out these further checks, it would have seen that Mr S wasn't likely to be able to sustainably repay the loan. I don't think it was responsible of Lendable to approve the loan, given Mr S's financial circumstances at the time.

Lendable should remove all interest and charges and deduct repayments made by Mr S leaving the balance to be repaid under a payment arrangement.

I've taken into account Mr S's request to have the balance written off completely. This isn't something that this service would generally ask a business to do to resolve an irresponsible lending complaint. I have sympathy with Mr S's circumstances but these are common to many cases of this nature. So I don't think it would be fair to ask Lendable to write off the balance. This doesn't mean that Lendable cant agree to do this in the future directly with Mr S.

Putting things right

To put things right, Lendable Ltd should:

Add up the total amount of money Mr S received as a result of being given the loan and deduct all repayments made by Mr S

(a)if this results in Mr S having paid more than he received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made until the date of settlement*

(b)if any capital balance remains outstanding, Lendable must agree an affordable repayment plan with Mr S

Remove any negative information recorded on Mr S's credit file in relation to the loan

*HMRC require Lendable to take off tax from the interest. Lendable must give Mr S a certificate showing how much tax has been taken off if he asks for one.

My final decision

My final decision is that I uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 April 2023.

Emma Davy
Ombudsman