

The complaint

Mr B says Lendable Ltd irresponsibly lent to him.

What happened

Mr B took out a 48-month instalment loan for £10,000 from Lendable on 31 July 2021. The monthly repayments were £332.35 and the total repayable was £15,923.97.

Mr B says Lendable should not have lent to him. He was self-employed and so his income was variable. Lendable ought to have checked his bank statements. It would have seen he was gambling, overdrawn and using credit cards.

Our investigator did not uphold Mr B's complaint. He said Lendable's checks were proportionate and did not show anything that suggested the loan would not be sustainably affordable for Mr B.

Mr B disagreed and asked for an ombudsman's review. He said, in summary, even putting his gambling to one side, as he was self-employed Lendable needed to ask for bank statements and tax returns. Credit checks only look backwards.

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 unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Lendable lent to Mr B required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check. The checks also had to be borrower-focused. So Lendable had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr B.

In other words, it wasn't enough for Lendable to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mr B. Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough: - the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income); - the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments

from a particular level of income); - the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period). There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've kept all of this in mind when thinking about whether Lendable did what it needed to before agreeing to lend to Mr B. So to reach my conclusion I have considered the following questions:

- did Lendable complete reasonable and proportionate checks when assessing Mr B's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Lendable make a fair lending decision?
- did Lendable act unfairly or unreasonably in some other way?

I can see Lendable asked for some information from Mr B before it approved the loan. It asked for details of his monthly income and verified this with a third-party source that reviewed his current account turnover. It checked Mr B's credit file to understand his credit history and current commitments. From these checks combined Lendable concluded Mr B had enough monthly disposable income to afford to repay the loan.

I think these checks were proportionate and did not show any indications that Mr B was struggling financially and could not sustainably afford this loan. I'll explain why.

Mr D declared a monthly income of £3,462 and Lendable's external checks verified this, with the highest confidence rating. So I don't think Lendable needed in these circumstances to ask for bank statements. This is not something lenders are obliged to do. Lendable has confirmed had there been any discrepancy between Mr D's declaration and its checks it would have asked for payslips or bank statements, but it did not need to so in this case. I find this to be fair and reasonable.

The credit check showed Mr D was up-to-date with his six active accounts and after taking on this loan would be paying around 23% of his income on credit. This is not a level such that I would expect Lendable to carry out a fuller financial review. The check showed Mr B was using just 34% of his available revolving credit and was not overly indebted relative to his income. He had opened one new credit account in the prior six months. He had no delinquent accounts in the last 12 months and no defaults in the last 36 months. I can see Mr B had an overdraft facility of £4,950 on one of his current accounts but the credit check showed Mr B was not using any of this: he was not overdrawn at the time. Overall, I don't think Lendable ought to have been concerned by these results – they did not indicate financial instability - nor was there anything that ought to have triggered further checks.

This does not mean I doubt Mr B's testimony about his circumstances when he applied: the evidence he sent in clearly shows that by mid-2021 he was gambling heavily and using nearly all his overdraft facility. I am also aware that in a very short space of time in July 2021 he applied for credit from a number of different lenders and so his overall indebtedness had increased substantially.

But the proportionate checks Lendable completed did not show any of these very recent changes in Mr B's financial circumstances that would likely have led it to conclude Mr B

might struggle to meet his monthly repayments. The recent loans and the change in his overdraft position did not show on its credit check. There is often a time lag between an application for credit and it registering on a credit file. And I can only fairly expect Lendable to react to the result of the checks it carried out – which included a detailed credit check.

Indeed, there was nothing on any of the information provided by Mr B at the time he applied for the loan that would've indicated to Lendable that it wasn't affordable or sustainable for him. And because there was nothing in the checks that would've alerted Lendable that Mr B was spending in a compulsive and harmful way, I can't say it failed in its obligations when it didn't ask for more detailed information about his finances.

I know Mr B feels strongly that as he was self-employed bank statements should have been reviewed but there is no regulatory obligation for the lender to do this. As I have explained there is no set list of checks and there are a number of variables that should determine what level of checks are proportionate. Given the external checks Lendable carried out and the results they generated I remain of the view its checks here were proportionate, and that it made a fair lending decision.

It follows I do not find Lendable was wrong to give the loan to Mr B.

I have seen no evidence Lendable acted unfairly towards Mr B in some other way.

I am sorry Mr B has struggled with his finances and I hope he now has the support he needs. If not, he could contact Step Change on 0800 138 1111 or National Debtline on 0808 808 4000 for advice about financial difficulties. And if gambling is still problematic for him he could contact GamCare on 0808 802 0133.

If Mr B still has an outstanding balance on his loan, I would urge him to contact Lendable to discuss an affordable repayment plan. I would remind Lendable of its obligation to treat Mr B fairly, and with forbearance.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 October 2023.

Rebecca Connelley
Ombudsman