

## **The complaint**

Mr B complains Lendable Ltd lent to him irresponsibly.

## **What happened**

Mr B took out a £3,000 loan with Lendable in July 2022, and the total amount he needed to repay was just over £5,000. The loan had a term of three years, and the monthly repayments were around £145.

In late 2022, Mr B complained to Lendable that his loan was unaffordable, and had they carried out sufficient checks, they wouldn't have approved it. Lendable looked into Mr B's concerns and issued their final response. They accepted that on reviewing his application data again, they ought to have known the borrowing wouldn't have been sustainable for Mr B. To put things right, they offered to:

- Freeze all interest and charges indefinitely.
- Calculate all interest and charges Mr B had paid so far, and credit that amount to his loan account.
- Remove any negative markers about the loan from Mr B's credit file.
- Set up an affordable repayment plan for the outstanding balance if Mr B couldn't afford the normal monthly payments.

Mr B remained unhappy and brought his complaint to our service. When doing so he explained the loan was unaffordable as he receives a small pension each month, and the monthly repayments are no longer affordable because his living expenses have increased.

Our Investigator felt Lendable's offer was fair because it was in line with our approach for complaints about unaffordable and irresponsible lending. However, Mr B disagreed with our Investigator and said the loan should be written off because he struggled with gambling around the time it was taken out. He also reiterated he couldn't afford to repay the £3,000 capital he borrowed. Mr B believed that as Lendable shouldn't have approved the loan, then they're at fault.

Our Investigator wasn't persuaded to change his opinion because Mr B had used the funds he borrowed. As Mr B still disagreed with our Investigator, his complaint was passed to me for a final decision.

Given Lendable has already accepted it shouldn't have approved Mr B's loan, my decision will focus on what I consider to be a fair and reasonable resolution to this complaint.

## **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.

Having done so, I'm upholding Mr B's complaint – albeit not as he hoped.

We've set out our approach to unaffordable and irresponsible lending complaints on our website – including the relevant rules, guidance, good industry practice and law. And this is what I've considered when deciding Mr B's complaint. Having done so, it's important that I explain in cases like this, when we consider borrowing shouldn't have been approved, our usual approach is that the customer isn't made to repay any interest, charges and/or fees that may have been applied. However, we would still expect them to repay the capital they borrowed because they used the funds.

Mr B has told us about the impact the borrowing has had on him – particularly since the cost-of-living crisis. But I am glad to hear he's receiving help for his gambling problem. So, I want to assure him that I understand he is going through a very difficult time, and Lendable's mistake has contributed to that. However, I have to balance that alongside the fact he took out the loan with the knowledge it had to be repaid. I've also noted that his own testimony has explained the cost-of-living crisis has been a contributing factor to the difficulties he's experiencing in maintaining his repayments.

I'm aware Mr B believes he shouldn't have been given the loan because he receives a pension. However, we wouldn't expect that to be the sole reason for a financial business, like Lendable, refuses to lend to someone. If they did so, it could be deemed a form of discrimination, and may not be fair for those individuals who could afford the borrowing despite receiving a pension. We expect a business to consider a number of things when determining whether to approve lending. And in this case, Lendable has already accepted they made a mistake when reviewing Mr B's circumstances when they approved this loan.

I sympathise with Mr B's situation, particularly given Lendable ought to have known he may have had a problem with gambling because they had sight of his bank statements before approving the loan. These showed a high frequency of gambling transactions in the months and days leading up to Mr B's loan application. But given the unprecedented change in the wider economic landscape, the impact on Mr B's financial circumstances has been exacerbated. So, this is something I've had to place weight on when deciding what should be done to put things right.

To get a clearer picture of Mr B's financial circumstances, I have seen copies of his July – October 2022 bank statements. I appreciate this isn't something Lendable would have been able to consider when making its lending decision. But I felt it necessary to review this information so that I could have a better understanding of Mr B's gambling at the time the loan was taken out.

The statements have shown me that Mr B continued to gamble after receiving the loan from Lendable. In fact, in the same month the £3,000 loan was deposited into Mr B's account (July 2022), he spent around £20,000 on gambling transactions alone – of which just over £16,600 took place after the loan was deposited.

Although the gambling transactions highlight Mr B may have eventually struggled to repay the loan, I haven't been able to ignore the value of transactions deposited into Mr B's bank account in July 2022. Mr B's statements showed just over £15,500 of gambling winnings were deposited after the loan.

This evidence clearly indicates that Mr B was going through a difficult time when it came to his gambling habit, and further demonstrates why the loan shouldn't have been approved. But while it's clear the loan helped fuel Mr B's gambling; I can't ignore the fact the winnings paid into his account weren't much less than the amount he spent on gambling transactions. I also noted that Mr B didn't appear to miss regular payments or utilise an unarranged overdraft. In turn, this suggests that while it is clear he was spending a lot on gambling, he somewhat did so within his means. With that in mind, I can't safely conclude that it would be

fair or reasonable to direct Lendable to write off the loan when I take everything into consideration.

When we consider borrowing shouldn't have been approved, we would normally ask a business to refund all interest and charges, agree an affordable repayment plan for any outstanding balance, and remove any negatives markers (related to the borrowing) from the customer's credit file once the debt is repaid. Lendable has already offered to do this, and I consider that was the right thing to do in the circumstances.

I'm aware Mr B has serious concerns about his ability to repay what is left outstanding from the £3,000 he borrowed. But when agreeing a repayment plan, our service would expect a financial business to treat their customer sympathetically and positively – and this involves taking care to consider a consumer's realistic ability to repay the debt. So, this is what I'd expect Lendable to do, and they should ensure Mr B is given sufficient support when navigating these conversations. Lendable has confirmed they're prepared to do that and have explained what information they'd need from Mr B if he wants them to consider writing off his outstanding balance.

While I am sorry to hear about the difficulties Mr B is continuing to experience, I do consider Lendable's offer is in line with the award I would have suggested had they not already taken steps to put things right. As such, I won't be asking them to do more than they've already offered to resolve Mr B's complaint.

For the reasons above, I'm upholding Mr B's complaint about Lendable. But I'm aware this isn't the outcome he hoped for.

### **My final decision**

My final decision is that I'm upholding Mr B's complaint about Lendable Ltd.

To put things right, Lendable Ltd should:

- Remove all interest, fees and charges applied to the loan from the outset. Any payments made by Mr B should then be deducted from the new starting balance. If the payments Mr B's made total more than the amount he was originally lent, then any surplus should be treated as overpayments and refunded to him with 8% simple annual interest\* calculated on the overpayments made from the date they were paid by Mr B, to the date the complaint is settled.
- If there's an outstanding balance on the loans, then Lendable Ltd should agree an affordable repayment plan with Mr B, bearing in mind the need to treat him positively and sympathetically in those discussions, and take account of his current ability to repay the loan.
- Once the outstanding balance is repaid, any relevant adverse information (related to the lending) recorded on Mr B's credit file should be removed.

\*If HM Revenue & Customs requires Lendable Ltd to take off any tax from this interest, Lendable Ltd should give Mr B a certificate showing how much tax they've deducted if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 November 2023.

Sarrah Turay  
**Ombudsman**