

The complaint

Mrs A believes Lendable Ltd trading as Autolend acted irresponsibly by agreeing a hire purchase agreement she'd applied for.

What happened

In December 2021, Mrs A was supplied with a used car through a hire purchase agreement with Lendable. She paid a deposit of £700, and the agreement was for £10,995 over 48 months; with 47 monthly payments of £319.23 and a final payment of £321.33.

Mrs A has complained that Lendable didn't act responsibly when approving the finance. She's said that she had a poor credit history at the time she applied, and that Lendable didn't request any evidence of her income, which was made up of sporadic payments and benefits. So, she didn't think the payments were affordable.

Lendable considered this complaint, but they thought they'd done adequate checks, which showed that Mrs A could afford the payments. And they said she didn't complain to them until December 2022, just after she'd had a significant change in her financial circumstances, with all payments being made up to this point. So, they didn't uphold her complaint.

Mrs A wasn't happy with this, so she brought her complaint to us for investigation.

Our investigator didn't think Lendable had carried out sufficient checks when they approved Mrs A's application, and she thought they should've confirmed her income and expenditure to fully assess her affordability. The investigator looked at Mrs A's income and expenditure at the time of her application, but she said this showed the finance was affordable at the time. And she didn't think Lendable needed to do anything more.

Mrs A didn't agree with the investigator. She didn't think it was fair that the investigator had used "*transfers of money from a third party towards food, bills, shopping etc.*" when calculating the affordability, as this wasn't a source of income. She also didn't think that the investigator had properly assessed her outgoings and that missed payments on her credit file should've been an indicator that she would struggle to pay Lendable.

Because Mrs A didn't agree, this matter has been passed to me 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Lendable complete reasonable and proportionate checks to satisfy itself that Mrs A would be able to repay the credit in a sustainable way?

- a. if so, did Lendable make a fair lending decision?
- b. if not, would reasonable and proportionate checks have shown that Mrs A could sustainably repay the borrowing?

2. Did Lendable act unfairly or unreasonably in some other way?

And, if I determine that Lendable didn't act fairly and reasonably when considering Mrs A's application, I'll also consider what I think is a fair way to put things right.

Did Lendable complete reasonable and proportionate checks to satisfy itself that Mrs A would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Lendable have explained that they looked at Mrs A's income, expenditure, credit file, how she managed her credit, and the other borrowings she had before determining that she met their affordability checks.

Lendable have provided a copy of the application form they received, which shows Mrs A had declared a £2,571 net monthly income. Lendable used an online checking service which they say showed this income was correct.

They've also provided a copy of the credit file summary they used in their decision making, which shows Mrs A had no County Court Judgements in the last three years, and that she had nine active credit commitments. But the summary doesn't say how much Mrs A was paying towards these credit commitments, or whether she was making these payments.

I haven't seen anything to show me that Lendable considered Mrs A's other outgoings i.e., her mortgage/rent, utility bills, etc., when they assessed the affordability. As such, based on what I've seen, I'm not satisfied that the checks Lendable carried out were reasonable and proportionate. So, I've gone on to consider what these checks would've shown, had they been carried out.

Would reasonable and proportionate checks have shown that Mrs A would be able to repay the credit in a sustainable way?

Mrs A has provided an up-to-date copy of her credit report. As this also shows historic data, I'm satisfied this will give a good indication of what Lendable would've seen had they considered the full credit file at the time of her finance application.

This report shows that, in November 2021, Mrs A had seven accounts with communication suppliers, all of which were up to date with no historic missed payments. She also had two bank accounts that were conducted within any overdraft limit, and a credit card that was up to date with no missed payments.

However, the report shows that Mrs A missed payments on another credit card in January and February 2021, but the account was brought up to date in March 2021; and she'd missed three payments on a loan between November 2019 and January 2020 and was now paying £56 a month to cover the payment and bring the account up to date.

Finally, the report shows that Mrs A had nine historic defaults between April 2018 and February 2021, with a total defaulted balance of £28,551.

Based on this report, while it's clear that Mrs A had credit when she applied for finance with Lendable, she was maintaining all payments. However, I wouldn't have expected Lendable to decline this application just because Mrs A had some historic arrears and defaults. But I would expect Lendable to take these into consideration when making their lending decision.

Mrs A has also provided copies of her bank statements for the period 4 September to 3 December 2012. While I wouldn't necessarily have expected Lendable to have asked Mrs A for copies of these, I'm satisfied that the statements would give a good indication of what Lendable would likely have taken into consideration had they asked Mrs A to prove his income and committed expenditure during that specific period.

The bank statements show that Mrs A received an average of £2,195 a month from her business, and a further £815 a month in working tax credits. In addition to this, she received £152 a month child benefit, £358 a month disability living allowance ('DLA') for one of her children, and an average of £580 a month from her children's father.

Mrs A has argued that the payments she received for her children shouldn't count as income for affordability purposes. I agree that this should be the case for the DLA, as it's a specific payment for the child's needs. However, the child benefit and the payments she receives from the children's father are to help cover the children's needs i.e., housing, heating, food, clothing etc. And these payments form part of Mrs A's expenditure when looking at affordability.

It therefore follows that, when including her full expenditure, it's only fair to include the income she receives to cover this. And this would also include the net average of £321 a month she also received from her then partner for food, household bills etc.

As such, while I agree that these payments aren't the same as the income Mrs A earns, they should be classed as income for affordability purposes. Therefore, based on what I've seen, it would be reasonable to use an income of £3,742 a month for affordability purposes.

Turning now to Mrs A's expenditure, I've seen that she paid £1,188 a month for housing, household bills and insurances etc. She also paid £369 a month for phone and TV, and £212 a month for other insurances and car tax. Finally, Mrs A paid £556 a month for her credit commitments, which included a number of Buy Now Pay Later accounts and a payment to a debt charity (which would be towards her existing defaults). This means she had committed expenditure of £2,325 a month.

So, based on the figures shown on the bank statements, and referred to above, Mrs A had £1,417 disposable income each month to cover food, fuel etc. (which, in her comments on the investigators view, Mrs A said was around £600 a month), and from which to pay Lendable's payment of £320.

As such, and while I appreciate this will come as a disappointment to Mrs A, I'm satisfied that, had Lendable carried out reasonable and proportionate checks, then there's no valid reason why they wouldn't have found the finance to be sustainably affordable. And it's for this reason why I won't be asking them to refund all or part of the payments Mrs A paid, or any interest and fees she may have been charged.

Did Lendable act unfairly or unreasonably in some other way?

I haven't seen anything to make me think Lendable acted unfairly or unreasonably in some other way.

My final decision

For the reasons explained above I don't uphold Mrs A's complaint about Lendable Ltd trading as Autolend.

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

Andrew Burford
Ombudsman