DRN-4395758

The complaint

Miss W complains that Lendable Ltd ("Lendable") irresponsibly gave her two loans by way of fixed sum loan agreements she couldn't afford.

What happened

Miss W applied for the first agreement in May 2019. She was given a loan of £1,500 repayable over 18 months with monthly repayments of £105.22 until a final repayment of £106.91

Miss W applied for the second agreement in October 2020. This time the loan was for £4,000 repayable over 24 months by monthly repayments of £208.08 until a final repayment of £164.73.

In May 2023 Miss W started her complaint with Lendable. She said that the loans shouldn't have been granted to her because they were each unaffordable.

Our investigator recommended the complaint not to be upheld.

As Miss W didn't agree, the complaint has been passed to me to decide.

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.

Lendable will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Miss W's complaint is that Lendable made credit available that was unaffordable. Lendable has explained that it relied in part on information that Miss W provided at the time of each application and also carried out its own checks in order to assess affordability. So I'll look at each application in turn:

May 2019 Loan

At the time Miss W told Lendable she was in full-time employment with an income that meant she was receiving around £1,400 per month in net earnings. Lendable were entitled to rely on that information, but they also cross-checked the income data using a credit reference agency to achieve some confidence that the amount of income stated on the application matched the amount paid into Miss W's bank account. Lendable also looked at bank statements and payslips provided by Miss W as part of the process for approving the loan.

The checks suggested that there was sufficient income to support the proposed lending. Lendable also said that they carried out a credit search in Miss W's name to assess her level of debt at the time of the lending decision and to understand how she had been managing her debt up until then. Lendable told us that the credit check it obtained showed that Miss W had a good credit history at the time of the loan application – which means it showed no recent history of county court judgments, defaults or bankruptcies.

Lendable also carried out a turnover calculation to check if Miss W would be able to afford the loan, taking into account her existing borrowing, living costs and other regular non-credit expenditure. This showed it was likely that, allowing for the new loan, she would be using around 8% of her income to pay debt.

It does seem from these checks that at the point that the lending decision was made, Miss W was sustainably managing her existing credit. I therefore think Lendable appeared to have very little reason to make further enquiries into Miss W's expenditure based on the information it was provided by Miss W and it had obtained itself.

In short, from everything I've seen, I don't consider that Lendable knew or ought to have known of a reason not to agree the lending for the first loan.

October 2020 Loan

At the time of the second loan Miss W told Lendable she was still in full-time employment and was now earning a slightly higher salary.

Lendable again carried out checks on her income and level of credit debt. Given that Miss W was now known to Lendable as a reliable borrower and it was satisfied that it was able to verify the information it needed about Miss W's financial circumstances, it didn't require payslip or bank statement information.

Lendable's checks found that Miss W had three credit cards and two unsecured loans. They had all been maintained well for at least the past three years. Also, the two loans were due to end soon. Her credit history again showed no other issues. The checks also included looking at the information about her current account usage by that was available to the credit reference agency. The findings once again suggested Miss W would have sufficient income to support the proposed lending, alongside her new borrowing. It was noted however that her debt exposure had gone up to just under a third of her monthly income. But Lendable thought this wasn't enough for Lendable to be put on notice of any reason not to agree the second loan.

I think a key point here is that as a service we have to look at the information that was available to Lendable at the time it made each lending decision and not to use hindsight. I have seen insufficient evidence that there was other information that Lending acquired or had presented to it at the time of either lending that might have led them to think they needed to carry out more detailed checks in order to better understand Miss W's financial circumstances.

I'm sorry to see that Miss W is unhappy with our investigator's findings. In particular, she says she had an issue with gambling and that Lendable failed to take this into consideration. Miss W also says that the second loan was specifically taken out to help fund her gambling.

She has sent us bank statements in support of this, showing evidence of gambling transactions from around 3 months before the finance was agreed. But I've also seen that Lendable's checks showed that Miss W was broadly speaking adequately managing her finances at the time and could afford the new loan. So I can't say that it would necessarily have been apparent to Lendable at this point that Miss W had an issue with gambling. And nor can I say from what Lendable had seen about Miss W's borrowing history at the time of assessing the loan that there was a suggestion that activity linked to gambling might be having an adverse impact on her ability to borrow sums of money sustainably.

If follows that I'm not persuaded that Lendable ought to have been prompted to carry out additional checks. So I can't say that it needed to have acted differently than it did in granting the second loan.

I know that Miss W will be disappointed with my decision. But the issue I'm looking at here is whether each of these loans was affordable to Miss W and whether Lendable acted fairly in carrying out its lending assessment for each loan. Based on the evidence and information available at the time and the checks it carried out, I'm satisfied that it did.

I also want to take this opportunity to say that I have been sorry to read of the recent issues that have affected Miss W's health in relation to her finances. But having fully considered all the submissions in this case I have not found sufficient evidence to uphold this complaint.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 9 February 2024.
Michael Goldberg
Ombudsman