

Complaint

Miss W has complained about loans Lendable Ltd (“Lendable”) provided to her. She says that Lendable provided her with an unaffordable loan as proportionate checks would have shown that she already had a high level of borrowing with existing creditors.

Background

In June 2023, Lendable provided Miss W with a loan for £1,000.00. It had an APR of 48.78% and a 12-month term. This meant that the total amount to be repaid of £1,232.93, which included interest, fees and other charges of £232.93, was due to be repaid in 11 monthly instalments of £102.67 followed by a final repayment of £103.56.

One of our investigators reviewed what Miss W and Lendable had told us. And he thought that Lendable hadn’t lent irresponsibly. So he didn’t uphold Miss W’s complaint.

Miss W disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss W’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss W’s complaint. I’ll explain why in a little more detail.

Lendable needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Lendable needed to carry out proportionate checks to be able to understand whether Miss W could afford to repay before providing these loans.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Lendable provided Miss W with a loan for £1,000.00 which needed to be repaid in 12 instalments of around £100. Lendable says it agreed to Miss W’s application after she provided details of her monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Miss W.

In its view, the information Miss W provided about her income and expenditure showed she'd be able to comfortably make the repayments to this loan and Lendable says, in these circumstances it was reasonable to lend. On the other hand, Miss W has said that this loan was unaffordable, given her existing debts.

I've carefully thought about what Miss W and Lendable have said. The first thing for me to say is that this was Miss W's first loan with Lendable. The information provided does suggest Miss W was asked to provide details of her income and expenditure and Lendable didn't just rely on what it was told.

However, the credit search carried out did show that Miss W had had a relatively recent default recorded against her. I don't think that this itself meant that Lendable shouldn't have lent to Miss W. But in the circumstances, notwithstanding the fact that the repayment for this loan was relatively low, given what the credit search showed I think that Lendable needed to take further steps to verify Miss W's actual living costs, rather than rely on what she said, in order for its checks to have been proportionate. As Lendable didn't do this, I don't think that the checks it carried out were reasonable and proportionate.

As Lendable didn't carry out sufficient checks, I've gone on to decide what I think Lendable is more likely than not to have seen had it obtained further information from Miss W prior to providing this loan. As explained, given the circumstances here, I would have expected Lendable to have had a reasonable understanding about Miss W's regular living expenses as well as her income and existing credit commitments.

I've considered the information Miss W has provided us with – including her bank statements. And having done so, this information does appear to show that when Miss W's committed regular living expenses and existing credit commitments were deducted from her monthly income at the time, she did have the funds, at the time at least, to sustainably make the repayments due for this loan.

I think it's important for me to point out that what I'm required to think about here in order to determine whether Lendable acted fairly and reasonably towards Miss W, is whether Miss W had sufficient disposable income to enable her to make the monthly payments to this agreement, not just whether sufficient checks were carried out. And having considered everything, I'm satisfied that the available information indicates that Miss W did have sufficient funds left over to make the monthly payments towards this loan in a sustainable manner.

I accept that Miss W's actual circumstances may not be reflected in the bank statements she's provided. For example, I know that Miss W says that she couldn't have afforded the loan. But bearing in mind what showed in the information gathered and what has been provided to me now shows, I can't see how Lendable would have known this.

So overall and having considered everything, I think that proportionate checks are likely to have shown that the payments to this loan were affordable. As this is the case, I'm not upholding Miss W's complaint. I appreciate this will be very disappointing for Miss W. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss W's complaint, I would remind Lendable of its obligation to exercise forbearance and due consideration (bearing in mind what Miss W is now saying) in the event that when collecting repayments, it becomes aware Miss W is experiencing financial difficulty making them.

My final decision

My final decision is that I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 19 March 2024.

Jeshen Narayanan
Ombudsman