

The complaint

Mr S complains that Lendable Ltd (LL) lent to him irresponsibly.

What happened

Mr S had two loans from LL; and the first one was repaid by consolidating it with the second loan:

Loan/Date	Amount	Terms	Repaid
February 2021	£3,145	36 months/ £132 per month	March 2022 - £2,187
March 2022	£5,030	36 months/ £200 per month	Reduced payments of £30 agreed to September 2023; and then £10 (DMP)

Mr S advised LL in August 2022 that he was on a reduced income as he was having to care for his mother. LL agreed to a reduced payment plan of £30 per month until September 2023. Interest was stopped. In February 2024, Mr S advised LL he had entered a debt management plan (DMP) and LL agreed a 'hold' on his account but accepted payments of £10 per month.

Mr S previously complained to LL about the first loan – he said it wasn't sufficiently checked. LL sent a final response which said the loan was approved after the correct credit checks were made, but they said they'd come across circumstances later on – which suggested they shouldn't have agreed to the loan. They agreed to refund interest of £1,166.64.

As at 14 January 2024, the second loan had a balance of £4,319 and was still on a reduced, interest free payment plan. The last payment made by Mr S was for £10 in January 2024.

Mr S complained. He says that as LL decided the first loan wasn't checked sufficiently, and upheld his complaint, then the second loan must also have been agreed irresponsibly – on the same basis.

LL issued a final response. This didn't address Mr S' main argument (about the prior decision) but stated that they'd completed sufficient checks. LL said:

- Mr S' credit records showed he had a healthy credit history at the time of his application.
- They worked out he could afford the loan payments.
- Mr S stated that he was employed full time with an income of £2,343 per month, which they validated.
- There were no circumstances at the time of the application that would've prevented LL lending.

Mr S brought his complaint to us. Our investigator didn't uphold it. She said:

- LL's checks showed:
 - o Mr S declared a monthly income of £2,243.
 - o He was in rented accommodation.
 - o He had unsecured debts of £12,500.
 - o He had no bankruptcies, insolvencies or County Court Judgments.
- She said LL should have got more information about Mr S' salary – as the open banking data didn't show a salary being received, i.e. to ensure he could afford the loan on a sustainable basis.
- But other than that, she couldn't see anything in LL's checks which said they shouldn't have lent the money to Mr S.

LL agreed with our investigator, but Mr S didn't. He asked that an ombudsman look at his complaint, and so it has come 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.

All lenders have an obligation to lend money responsibly. We must check whether LL acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - o the lower a customer's income, and the higher amount to be repaid.
 - o the greater the number of loans and frequency of loans.
 - o the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

I looked at the checks made by LL on the second loan. I can see they validated Mr S' income by using industry techniques and by using data from credit reference agencies – so I'm satisfied that was sufficient.

LL also worked out that Mr S spent 28% of his income on making payments to his debts – as

they could see how much he was borrowing from other lenders by looking at his credit file. This left enough to pay for living expenses.

As a further check, I also looked at Mr S' credit file. This showed he had 19 active accounts with other lenders. This seems high, but the total debts were £12,500 – which I don't think is unreasonable as against a salary of around £27,000 per annum. He was only borrowing 32% of his credit limits at the time – which again, is reasonable and acceptable.

I can see there was one default within the previous 12 months – usually a sign of financial problems. But this was with a telecoms company (and not a lender) – and could have been a simple dispute with (say) a mobile phone provider. On balance, of itself, I don't think it warranted any cause for concern.

And most importantly, all Mr S's credit agreements were paid up to date, with no missed payments - all of which shows he was managing his debts well. So I can see why LL agreed to lend him the money on the second loan and completed the necessary checks they were required to.

There is though one another important issue to consider – Mr S' gambling. LL agreed to uphold Mr S' previous complaint because of that as the 'open banking' data showed he spent large sums of money in January 2021. Mr S argues that he was still gambling at the time of the second loan, and LL should've seen this and agreed they shouldn't have lent the money on that loan – in the same way as they'd reconsidered the first loan.

We asked LL more about this and asked for the 'open banking' data they had for Mr S at the time of the second loan. LL sent us some 'open banking' data – showing Mr S' bank accounts - for the period between February 2022 and March 2022.

This shows there weren't any payments that were obviously to gambling firms. I can see day to day payments and other payments to Mr S's credit cards and loan companies. There are two payments of £3,000 and £5,150 in the period – but they are only shown as 'transfers'. They may or may not have been related to gambling – but I don't think I can reasonably expect LL to have concluded they were. Or been sufficiently concerned to have asked questions about those transfers.

I say that as all the other checks completed by LL at the time showed that Mr S could afford the second loan. If that wasn't the case, then we would have expected LL to ask more questions, but as I've set out, the other checks didn't show anything that might have been a concern to LL.

I know this will be a disappointment for Mr S, and I was sorry to learn of his more recent circumstances. But I want to assure him I've looked at what happened in detail and I'm satisfied that LL completed the necessary checks they had to under the guidance I've set out. And so I am not asking LL to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 July 2024.

Martin Lord
Ombudsman