

The complaint

Mr Y says Lendable Ltd irresponsibly lent to him.

What happened

Mr Y took out an 18-month loan for £2,000 in February 2023. The monthly repayments were £144.40.

Mr Y says the loan was also unaffordable. Better checks should have been made to assess his circumstances. Had these been done, it would have been apparent that he was spending a large percentage of his income on gambling. He has had to set up payment plans on a number of his debts.

Lendable says it carried out proportionate checks that showed Mr Y could afford this loan.

Our investigator did not uphold Mr Y's complaint. She found Lendable's checks were not proportionate, but that better checks could fairly have led to the same lending decision.

Mr Y disagreed and asked for an ombudsman's review.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked for any comments or new evidence by 30 May 2024.

Extract from my provisional decision

I can see Lendable asked for some information from Mr Y before it approved the loan. It asked for details of his monthly income and verified this with a third-party source that reviewed his current account turnover. It checked Mr Y's credit file to understand his credit history and current commitments. From these checks combined Lendable concluded Mr Y had enough monthly disposable income (£737.04) to afford to repay the loan and meet his essential spending needs.

I don't think these checks were proportionate. Typically, they could be given the term and the value of the loan, but given some of the results of Lendable's credit check I think it ought to have completed a fuller financial review to ensure it understood Mr Y's outgoings and actual disposable income. I say this as the checks showed a default had been registered against Mr Y only nine months prior; he was in an arrangement to pay on a loan and he had also been overlimit a number of times on two of his credit cards in the previous six months. So there were indicators of potential financial strain.

I have reviewed Mr Y's bank statements from October to December 2022. I am not saying Lendable had to do exactly this but it is a reliable way for me to understand what better checks would most likely have shown.

From them I can see Mr Y was gambling heavily every month, often with multiple transactions on the same day to the extent that in December he spent more than his salary

on gambling. So had Lendable completed better checks it would most likely have learnt that Mr Y's financial position was not stable. And there was a high risk that lending to him at this time would cause financial harm.

It follows I currently think Lendable was wrong to lend to Mr Y. I haven't found any evidence it acted unfairly towards him in some other way.

I then set out what Lendable would need to do to put things right.

Both parties responded to my provisional decision, Mr Y said he was happy with it and had nothing to add. Lendable agreed with it too.

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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

As neither party sent in any new evidence or comments for me to consider I have no reason to change the findings or outcome in my provisional decision.

So for the reasons set out above I think Lendable was wrong to lend to Mr Y.

Putting things right

I think it is fair and reasonable for Mr Y to repay the capital amount that he borrowed but he has paid extra for lending that should not have been provided to him so Lendable needs to put that right.

It should:

- Remove all interest, fees and charges on the loan and treat all the payments Mr Y made as payments towards the capital.
- If reworking Mr Y's loan account results in him having effectively made payments above the original capital borrowed, then Lendable should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr Y's loan account results in there still being an outstanding capital balance Lendable should work with Mr Y to agree any change to his payment plan.
- Remove any adverse information recorded on Mr Y's credit file in relation to the loan once any outstanding capital balance is repaid.

*HM Revenue & Customs requires Lendable to deduct tax from this interest. Lendable should give Mr Y a certificate showing how much tax it's deducted if he asks for one. If it intends to apply the refund to reduce an outstanding capital balance it must do so after deducting the tax.

My final decision

I am upholding Mr Y's complaint. Lendable Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 1 July 2024.

Rebecca Connelley
Ombudsman