

## **The complaint**

Mrs K complains that Lendable Ltd lent to her in an irresponsible manner.

## **What happened**

Mrs K was given two loans by Lendable. She first borrowed £3,685 in July 2021 that she agreed to repay in 24 monthly instalments of £196. And, whilst the first loan was still active, Mrs K borrowed a further £2,105 in February 2022 that she agreed to repay in 24 monthly instalments of £108. Although Mrs K had some problems repaying the loans, starting around September 2022, both loans were successfully repaid in January 2023.

Mrs K's complaint has been assessed by one of our investigators. He thought that the checks Lendable had done before agreeing each loan had been proportionate. And he didn't think the results of the checks should have caused Lendable to conclude the loans weren't affordable for Mrs K. So he didn't think the complaint should be upheld.

Mrs K didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

## **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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Mrs K's complaint.

The rules and regulations at the time Lendable gave these loans to Mrs K required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Lendable had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs K. In practice this meant that Lendable had to ensure that making the repayments wouldn't cause Mrs K undue difficulty or adverse consequences. In other words, it wasn't enough for Lendable to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mrs K.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Lendable did what it needed to before agreeing to lend to Mrs K.

Lendable gathered some information from Mrs K before it agreed each loan. It asked her for details of her income, that it independently verified, and her normal housing costs. And it checked her credit file to see how much Mrs K was repaying to other lenders, and how she had managed credit in the past. Although the credit check showed that Mrs K had defaulted on an account some years earlier I don't think it showed any evidence of more recent problems that should have caused additional concerns to the lender.

At the time of the first loan, Mrs K had three active credit card accounts, although one card did not have anything owing. The other two cards had been managed well in the past and were operating comfortably within the agreed credit limits. So I don't think there was anything that should have led Lendable to conclude that further checks were required. The information Mrs K provided about her income and expenditure meant that she would only be using a small proportion of her disposable income to repay credit. I think that the checks Lendable performed before agreeing the first loan were proportionate, and I don't think they suggested that the loan would be unaffordable for Mrs K.

I think Mrs K returning to Lendable, just over six months later to request some further borrowing might have caused the lender some additional concerns. But the results of the credit check from that time showed very little change in Mrs K's financial situation. Her utilisation of her credit cards had increased slightly – although it remained well within the agreed credit limits. And she had maintained her contractual repayments on both the first loan and her credit card accounts. So I am also satisfied that the checks Lendable performed before agreeing the second loan were proportionate, and again I don't think they suggested that this loan would be unaffordable for Mrs K.

I appreciate that my decision will be disappointing for Mrs K. She says that she was facing an addiction to gambling at the time she requested the loans. But that wasn't something she told Lendable as part of her application. And nor was it something that was apparent from the checks Lendable performed – checks that I think were proportionate. So whilst I can see that Mrs K faced problems in repaying her borrowing in late 2022 I don't think that was because of something that Lendable should have considered when it agreed the loans. So I don't think the complaint should be upheld.

### **My final decision**

For the reasons given above, I don't uphold the complaint or make any award against

Lendable Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 11 July 2024.

Paul Reilly  
**Ombudsman**