

The complaint

Miss C complains that Lendable Ltd lent irresponsibly when it approved her loan application.

What happened

Miss C applied for a debt consolidation loan with Lendable in May 2021 for £20,000 plus interest and fees. In her application, Miss C says she was renting and employed with an income of £2,116 a month. As part of its lending checks, Lendable asked Miss C to provide her most recent payslip that showed she was earning £1,952 after deductions. Lendable also carried out a credit search and found Miss C had unsecured debts totalling around £22,750.

Lendable says that because Miss C was applying for a debt consolidation loan, it applied the funds available across her open credit. Lendable then calculated an approximate saving Miss C would make by taking out a new debt consolidation loan. Lendable says that by proceeding with the new loan, Miss C was likely to save over £600 in repayments to her existing creditors. Lendable says that after the loan was approved, Miss C would've been left with around £1,350 a month to cover her rent and other living expenses. The loan was approved with monthly repayments of £488.26.

Miss C has told us that since taking out her loan with Lendable she's had to take further borrowing with other businesses to make ends meet. Earlier this year, Miss C complained that Lendable lent irresponsibly and failed to carry out the necessary checks before approving her application. Lendable issued a final response on 18 April 2024 but didn't uphold Miss C's complaint. Lendable said it had carried out the relevant checks, including verifying Miss C's income, before approving the loan and that repayments were affordable based on what it knew about her. Lendable also provided details of organisations that may be able to offer support to Miss C.

An investigator at this service looked at Miss C's complaint. They weren't persuaded that Lendable made a mistake or lent irresponsibly when considering Miss C's loan application. They thought that Lendable had carried out reasonable and proportionate checks before deciding whether to approve Miss C's loan application and didn't uphold her complaint.

Miss C asked to appeal and said she believed that in addition to the checks it completed, Lendable should've looked at her bank statements to ensure it was making a responsible lending decision. Miss C said that her bank statements would've shown Lendable she was gambling regularly and got a picture of her regular outgoings. Miss C also noted that one of her bank accounts was consistently overdrawn and that her credit file showed she was consolidating debt then using the credit again. As Miss C asked to appeal, her complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Lendable had to complete reasonable and proportionate checks to ensure Miss C could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I understand Miss C's view is that whilst Lendable got evidence to show her income it should've gone further and looked at her bank statements before approving her loan. But, as I've noted above, there's no specific set of checks a lender must complete – including whether it's obliged to look at a customer's bank statements. I've looked at the level of information Lendable had available to decide whether I think it completed reasonable and proportionate checks when considering Miss C's application.

I can see Lendable got a full picture of Miss C's credit by carrying out a credit check. That found no adverse credit or recent missed payments. And whilst I can see outstanding credit was found in Miss C's name, totalling around £22,750, I think Lendable makes a reasonable point when it says she was applying to consolidate the overwhelming majority to a new loan with it to reduce her outgoings each month. I can see that Miss C has sent us a recent copy of her credit file and that shows she repaid a loan with a lender I'll refer to as T around the time the loan was approved. I can't see whether Miss C used the loan funds to repay other debts or not, but I'm satisfied it was reasonable for Lendable to base its lending assessment on the basis Miss C would be reducing her regular outgoings for debt repayments.

In my view, the information Lendable had available, strongly indicated Miss C was able to sustainably make repayments. I'm satisfied that by verifying Miss C's income figure and using that in its lending assessment Lendable was working with accurate information. And I'm satisfied that the information Lendable obtained during the application process reasonably showed Miss C was able to afford repayments. I'm sorry to disappoint Miss C but I haven't been persuaded that Lendable should've taken additional steps, like looking at her bank statements, before proceeding.

I'm very sorry to disappoint Miss C but my view is that Lendable carried out reasonable and proportionate checks before approving her loan application. And I'm satisfied the decision to proceed was reasonable based on what Lendable knew about Miss C. I haven't been persuaded that Lendable lent irresponsibly so I'm not going to tell it to refund the interest applied to the loan or take any further action.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lendable lent irresponsibly to Miss C or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 September 2024.

Marco Manente
Ombudsman