

The complaint

Mr S says Lendable Ltd irresponsibly lent to him.

What happened

On 10 November 2023 Mr S took out a loan for £700 over 12 months. The monthly repayments were £71.82. He says he should not have been given this unaffordable loan based on his credit file.

Lendable says it completed adequate checks that showed Mr S could afford the loan.

Our investigator did not uphold Mr S's complaint. She said the checks were proportionate and showed the loan would be affordable.

Mr S disagreed and asked for an ombudsman's review. He said, in summary, his income wasn't verified correctly, nothing but a bank statement can do this. His credit file would have shown he had around £40,000 of debt. He took out multiple loans and lines of credit during this period which would have been visible if Lendable had reviewed his file properly. His bank account was constantly in an overdraft of £2,000. He also paid £320 a month for child maintenance. If Lendable had asked for bank statements, it would have seen all his financial commitments - he was really struggling at the time and was desperate for credit to live.

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 16 September 2024.

Extract from my provisional decision

I can see Lendable asked for some information from Mr S 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 estimated his housing costs based on postcode and his living costs based on national statistics. It obtained information via open banking showing Mr S's current account activity over the previous months, though it hasn't explained how it used this data. It checked Mr S's credit file to understand his credit history and current commitments. From these checks combined Lendable concluded Mr S had enough monthly disposable income (£1,293.83) to afford to repay the loan.

Whilst I think these checks were proportionate, I am not persuaded Lendable made a fair lending decision based on the results. I'll explain why.

Lendable learnt from its credit check that Mr S had £38,534 of debt across 18 accounts. So he was already spending a significant portion of income on repaying debt. The report showed that Mr S had opened four revolving accounts since February 2023 and in the first month he each time used almost all the credit available. His overall revolving credit utilisation was high at 96%. In addition he was £1,459 overdrawn from a facility of £1,500 that he had increased from £1,000 in May 2023. And he had been persistently reliant on this lending

facility since that time.

So, in the round, I cannot see Lendable had the assurances it needed to conclude that there wasn't a risk Mr S would need to borrow to repay, or suffer some other financial harm. I cannot see why/how it thought Mr S would be able to repay the debt without continuing to use his overdraft given his circumstances. So, in essence, he would be borrowing to repay. I think Lendable overlooked these indicators that Mr S was under pressure financially. I would have also expected it to reflect on the fact Mr S was taking out a £700 loan when it believed he had £1,293.83 disposable income every month.

It follows I currently think Lendable was wrong to give this loan to Mr S.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I then set out what Lendable would need to do if I went on to uphold Mr S's complaint.

Both parties responded before the deadline and accepted my provisional 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.

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

As neither party sent in any comments or new evidence, I have no grounds to change the findings or conclusion set out in my provisional decision.

It follows I find Lendable was wrong to give this loan to Mr S.

Putting things right

I think it is fair and reasonable for Mr S 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 S made as payments towards the capital.
- If reworking Mr S'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 S's loan account results in there still being an outstanding capital balance Lendable should work with Mr S to agree an affordable payment plan.
- Remove any adverse information recorded on Mr S'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 S 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 S'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 S to accept or reject my decision before 8 October 2024.

Rebecca Connelley
Ombudsman