DRN-5057958

The complaint

Mrs S says Lendable Ltd irresponsibly lent to her.

What happened

Mrs S took out three loans from Lendable. A summary of her borrowing follows.

loan	taken out	value, £	term in months	monthly repayment, £	total repayable, £
1	01/10/2021	£1,000	12	101.58	£1,218.91
2	03/06/2023	£2,000	24	108.21	£2,598.59
3	09/12/2023	£1,000	12	100.66	£1,208.52

Mrs S says Lendable did not carry out sufficient checks, including requesting bank statements. She was using more and more credit to get by. She wants Lendable to remove all interest from the loans, and to accept a reduced payment plan.

Lendable says it carried out proportionate checks that showed the loans were affordable.

Our investigator found Lendable's checks to be adequate and that it made fair decisions based on the information it gathered.

Mrs S disagreed and asked for an ombudsman's review. She said her financial difficulties were extremely clear as her borrowing increased by £10,000 in six months. This was the only reason that she was managing not to miss any payments.

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 both parties to send in any comments by 3 October 2024.

Extract from my provisional decision

I can see Lendable asked for some information from Mrs S before it approved the loans. It asked for details of her monthly income and verified this with a third-party source. It checked Mrs S's credit file to understand her credit history and current commitments. From these checks combined Lendable concluded Mrs S had enough monthly disposable income to afford to repay the loans and meet her essential spending needs.

I think these checks were proportionate for the first two loans given the loan values and initial results, and they led to fair lending decisions. But I do not think this was the case for loan 3. I'll explain why.

Loans 1 and 2

Mrs S declared a net monthly income of around £2,800. Lendable verified this externally. At the time of loan 1 she had debt of around £12,000 which had risen to around £16,000 at the *time of loan 2. At both times her debt was well managed, there was no recent adverse data on her credit file. Mrs S had repaid loan 1 in full over a year before she applied for loan 2.*

So I find it was fair for Lendable give both loans to Mrs S.

Loan 3

When Mrs S applied for loan 3 Lendable learnt that her debt had increased to just over £26,000 in the last six months. It was also only six months since she had taken out loan 2, and she was still repaying that debt. So I think Lendable needed to review Mrs S's income and expenditure (non-discretionary) to ensure she could afford to sustainably repay this loan.

In cases like this we look at bank statements from the three months prior to application to understand what proportionate checks would have most likely shown. Whilst Mrs S's income was higher than she had declared in October and November she has explained this was due to a temporary promotion and so she had only declared her guaranteed income. I find this to be reasonable – and think that Lendable would have learnt this had it looked at bank statements or payslips and questioned the discrepancy. So I think it is fair to base the income and expenditure assessment on her September income which was £2,779.

Her rent was £815 and her living costs (utilities, council tax, insurances, broadband/tv, telecoms, groceries and fuel) were around £790 a month. From its credit check Lendable knew Mrs S had £15,929 revolving debt so it needed to allocate 5% of this balance to ensure she repaid that debt sustainably, plus she had two loans to repay. In total this meant her credit commitments were £924. This meant Mrs S would have £150 monthly disposable income after taking on this loan.

As this loan was for 12 months I am not persuaded this was without risk. Lendable knew Mrs S's credit utilisation on her cards was around 70% so she could very easily need to repay more than I have allocated each month. It left her with very little to cover any unplanned or seasonal expenses for a year. In addition Mrs S was already spending a third of her income on credit each month which is a significant proportion - and as the industry knows, often an indicator of pending financial difficulties.

In the round, I am not satisfied Lendable had the assurances it needed that loan 3 would not cause financial harm for Mrs S. It follows I find it was wrong to give it.

I then set out what Lendable would need to do to put things right if I went on to uphold Mrs S's complaint.

Lendable replied and accepted my provisional decision. Mrs S did not respond.

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 comments or new evidence for me to consider, I have no reason to change the findings or conclusion in my provisional decision.

It follows I find Lendable was wrong to give loan 3 to Mrs S.

Putting things right for loan 3

I think it is fair and reasonable for Mrs S to repay the capital amount that she borrowed but she has paid extra for lending that should not have been provided to her so Lendable needs to put that right.

It must:

- Remove all interest, fees and charges on loan 3 and treat all the payments Mrs S made as payments towards the capital.
- If reworking Mrs S's loan account results in her 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 Mrs S's loan account results in there still being an outstanding capital balance Lendable should work with Mrs S to agree an affordable payment plan.
- Remove any adverse information recorded on Mrs 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 Mrs S a certificate showing how much tax it's deducted if she asks for one. If it intends to apply the refund to reduce an outstanding capital balance it must do so after deducting the tax.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mrs S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

I am upholding Mrs S's complaint in part in relation to loan 3.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 5 November 2024.

Rebecca Connelley
Ombudsman