

Complaint

Mr D complains that Lendable Ltd (“Lendable”) irresponsibly provided him with an unaffordable loan.

Background

Lendable provided Mr D with a loan for £7,500.00 in February 2020. This loan was due to be repaid in 47 monthly instalments of £238.14 and a final instalment of £124.77.

One of our investigators reviewed what Mr D and Lendable had told us. And she thought that Lendable hadn’t done anything wrong or treated Mr D unfairly. So she didn’t recommend that Mr D’s complaint be upheld.

Mr D disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr D’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr D’s complaint. I’ll explain why in a little more detail.

Lendable needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Lendable needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Lendable provided Mr D with a loan for £7,500.00 in February 2020. This loan was due to be repaid in 48 instalments of around £240. Lendable says it agreed to Mr D’s application after he provided details of his monthly income which it cross checked against the amount of funds Mr D received into his main bank account each month and some information on his expenditure.

It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr D could afford to make the repayments he was committing to. On the other hand, Mr D has said the loan was unaffordable.

I've carefully thought about what Mr D and Lendable have said.

The first thing for me to say is that Lendable didn't simply accept an over-optimistic declaration of monthly disposable income at face value. Lendable's credit searches showed Mr D had some existing debts. But these weren't excessive. And while Mr D says that he took out the loan to buy a car that he couldn't afford, the information from the time actually shows that the intention was for Mr D to clear his existing commitments with the proceeds of this loan.

Furthermore, the amount Mr D was being advanced was enough to clear all of his existing debts leaving him with only a single monthly payment to make going forward. Equally, as this was Mr D's first loan with Lendable, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr D's existing indebtedness in a way that was unsustainable or otherwise harmful.

It's also worth pointing out that the information Mr D has provided now does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

It is possible that Mr D may not have cleared his existing balances with this loan, or ended up re-establishing balances on some of his credit accounts. But without wishing to be blunt that was Mr D's choice. Ultimately, Lendable needed to make a reasonable decision based on the information it had available at the time.

In my view, all Lendable could do was take reasonable steps to ensure the payments would be affordable for Mr D. And as Mr D didn't have a history of applying for loans with Lendable for consolidation purposes and then returning for further funds after having failed to consolidate as he said he would, I think Lendable was reasonably entitled to believe the funds would be used for the stated purpose.

I accept that Mr D's actual circumstances may not have been fully reflected either in the information he provided, or the information Lendable obtained. Having looked at the bank statements provided I have my suspicions as to why Mr D may have gone on to have difficulties making his payments.

However, the key here is that Lendable did not have Mr D's bank statements nor did it need to request these before lending either. Given the information obtained suggested the loan was affordable and the lack of obvious inconsistencies, I don't think Lendable needed to do anything further.

As this is the case, I don't think that Lendable did anything wrong when deciding to lend to Mr D - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

In reaching my conclusions, I've also considered whether the lending relationship between Lendable and Mr D might have been unfair to Mr D under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Lendable irresponsibly lent to Mr D or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to

suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall I don't think that Lendable treated Mr D unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. But I hope that Mr D will understand the reasons for my final decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 December 2024.

Jeshen Narayanan
Ombudsman