

## The complaint

Ms B says Lendable Ltd, trading as Autolend, irresponsibly lent to her.

## What happened

Ms B took out two loans from Lendable as set out below.

loan	taken out	value	monthly repayment	total repayable
1	13/07/2020	£4,000	£163.96	£5,843.77
2	03/04/2022	£1,000	£102.68	£1,232.60

Ms B says the loans resulted in financial hardship, they were given to her at a time when she had multiple open loans and credit card accounts. When she later had to enter a debt management plan Lendable was not helpful and just kept sending notices of arrears.

Lendable says it carried out proportionate checks that showed the loans would be affordable for Ms B.

Our investigator upheld Ms B's complaint in part with regards to loan 1. She said the lender's checks were proportionate for both loans, but based on the information it gathered it was wrong to give loan 1 to Ms B. She found loan 2 was lent responsibly.

Lendable disagreed and asked for an ombudsman's review. Ms B 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.

The rules and regulations when Lendable lent to Ms B 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 is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Lendable had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Ms B. 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 the repayments on Ms B.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up 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 and cost of credit they have applied for.

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 Ms B. So to reach my conclusion I have considered the following questions:

- did Lendable complete reasonable and proportionate checks when assessing Ms B's loan applications to satisfy itself that she would be able to repay the loans in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Lendable make fair lending decisions?
- did Lendable act unfairly or unreasonably in some other way?

I can see Lendable asked for some information from Ms B before it approved the loans. It asked for details of her monthly income and verified this with a third-party source. It asked about her housing costs. It checked Ms B's credit file to understand her credit history and current commitments. It also had access to three months' open banking data for loan 2. It asked about the purpose of the loans. From these checks combined Lendable concluded Ms B had enough monthly disposable income to afford to repay the loans and cover her living expenses.

### *Loan 1*

I think Lendable's checks were proportionate given the stage in the lending relationship, but I am not persuaded Lendable made a fair lending decision based on the information it gathered. I'll explain why. My calculations vary slightly from the investigator's so I will set them out in full – but the overall finding is the same.

Ms B declared a net monthly income of £1,435 but Lendable's check verified a minimum income of £1,000. It learnt her rent was £200 and from the credit check it saw she had £5,762 of debt at the time. It estimated this was costing her £275 a month. But I think it should have allowed £314.70. This would have been made up of loan repayments of £138+£61+£69+£12 and £34.70 for her cards. This is because this service uses a 5% repayment rate for revolving balances in affordability assessments. This allows for repayment of interest and capital and to ensure there is no risk of a consumer falling into persistent debt. This means after taking on this loan Ms B would have £321.34 income remaining each month. From this she would need to cover all her living expenses.

I think this ought to have signposted to Lendable that there was a high risk Ms B would be unable to repay the loan sustainably over its 36-month term – that is, without borrowing to repay or suffering some other adverse financial consequence. It already knew she had struggled financially in the past, using payday loans and defaulting on an account.

I have thought carefully about the fact the stated purpose of the loan was debt consolidation. But I can't Lendable has not evidenced that it knew which debts Ms B was going to repay and how this would impact her financial position overall. And in the circumstances of this application, when Ms B's verified income was low, I think needed more certainty that the loan would not cause financial harm before lending.

It follows I think Lendable was wrong to give loan 1 to Ms B.

## *Loan 2*

I think Lendable's checks were proportionate given the value and term of the loan, and on this occasion I find Lendable made a fair lending decision based on the information it gathered. I note Ms B had settled loan 1 early in February 2021. Again my calculations vary slightly from the investigator's so I will set them out in full – but the overall finding is the same.

Ms B declared a net monthly income of £1,582. Lendable's check verified a minimum income of £1,371. It calculated she would have 64% of her income remaining to cover living costs after taking on this loan. I have looked at the data it gathered. It seems from the open banking data Ms B was still paying £200 a month rent. Her total debt was now £8,876 and there were some early arrears present on her file (which typically were brought up-to-date the following month) but there was no new significant adverse data. Her existing credit commitments were around £477.55, again assuming a repayment rate of 5% of total revolving balances, and this loan added £102.68 to that sum. This means Ms B would have £590.77 income remaining each month to cover her living expenses. So in this instance I think Lendable made a fair decision, and this loan was for a much shorter 12-month term.

It follows I don't think Lendable was wrong to give loan 2 to Ms B.

## *Did Lendable act unfairly towards Ms B in some other way?*

Ms B said the lender was not helpful when she entered a debt management plan as it just kept sending her notices of sum of arrears. I can see it did, but the letters said:

*If you are currently in a payment arrangement with us; on a Debt Management Plan or an Insolvency such as an IVA, DRO or Bankruptcy ..*

*There is no need to contact us regarding this notice, we are still required to send you these notices to make you aware of the amount you are in arrears with your contractual payments.*

*This statement is given to you under Section 86B of the Consumer Credit Act 1974. The Act requires lenders to issue this notice when the conditions in section 86B are met.*

So I think Lendable's communication was clear and transparent as to why it was issuing the notices. And sending them was something it was obliged to do. It follows I do not find it was at fault in this regard.

## **Putting things right for loan 1**

I think it is fair and reasonable for Ms B to have repaid 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 should:

- Remove all interest, fees and charges on the loan and treat all the payments Ms B made as payments towards the capital.
- If reworking Ms B'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\*. It can first offset any arrears that remain on loan 2.
- Remove any adverse information recorded on Ms B's credit file in relation to the loan.

\*HM Revenue & Customs requires Lendable to deduct tax from this interest. Lendable should give Ms B a certificate showing how much tax it's deducted if she asks for one.

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 above results in fair compensation for Ms B 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 Ms B's complaint in part in relation to loan 1. Lendable Ltd, trading as Autolend, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 6 February 2025.

Rebecca Connelley  
**Ombudsman**