DRN-5228543

The complaint

Mrs W complains that Lendable Ltd gave her two loans without properly checking if they were affordable.

What happened

In October 2019, Mrs W took out a loan with Lendable (loan 1). The loan was for a total of £4,000 with a loan fee of £280 added to the balance. It was repayable over 48 months.

In January 2022, Mrs W took out another loan with Lendable (loan 2). The loan was for £3,000 with al loan fee of £220 added to the balance. It was repayable over 60 months.

Mrs W complains that both the loans were unaffordable. She said that Lendable did not properly check if she could afford the loans – and if it had it would not have approved them. She wants it to refund any interest and charges.

The investigator thought the complaint should be upheld. He said that in the circumstances, he did not consider that Lendable had carried out reasonable and proportionate checks for either loan 1 or 2. If it had done so, it would have seen that Mrs W could not afford the amount she wanted to borrow. So the decision to lend on both loans was unfair.

The investigator proposed that Lendable should add up the amount of money that Mrs W received from the loans and deduct the repayments she'd made from the balance. He said if that resulted in Mrs W having overpaid, then the overpayments should be refunded with interest. If a capital balance remained, then Lendable should arrange a suitable and affordable repayment place with Mrs W. The investigator said lendable should remove all adverse information relating to the loans from Mrs W's credit file.

Mrs W accepted what the investigator said. Lendable did not.

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.

Lendable had a duty to make sure it did not lend irresponsibly. In practice, that meant that it should carry out reasonable and proportionate checks to understand whether Mrs W could afford to repay before approving the loans.

What is reasonable and proportionate will depend on the individual circumstances. For example, it might be 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.

On the other hand, we might think a lender needs to do more if, for example, a borrower's income was low, the amount lent was high or if the information the lender had indicated some financial difficulty. 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 borrower irresponsibly.

Lendable said that it agreed Mrs W's applications for both loans 1 and 2 after she gave details of her income. It said it then cross-checked that information against credit bureau information to verify that the income Mrs W had declared was received consistently and that it was sufficient to meet her living costs and non-discretionary spending after servicing her existing debts and taking into account the repayments for the new loans. Lendable has given us copies of the results of the credit searches it carried out for loans 1 and 2

<u>Loan 1</u>

The credit file for loan 1 does not show any adverse information, such as defaults or arrears. But Mrs W had a relatively high amount of debt in relation to her income and had taken out other debt in the six months before the loan was granted. She also had a number of credit cards where she was either making the minimum payments or payments just above that. That meant that the principal balance of those debts had not reduced materially over the previous 12 months. I consider that in view of the information on Mrs W's credit file overall, a responsible lender ought reasonably to have had doubts about the sustainability of Mrs W's existing debts and whether any new debt was affordable. So Lendable should have taken steps to verify her expenditure.

Mrs W has given us copies of her bank statements for the three months before loan 1 was approved. I agree with the conclusions reached by the investigator that the statements show that Mrs W's outgoings exceeded her income. Therefore, if Lendable had taken steps to verify her income and expenditure it could not fairly or reasonably have agreed further borrowing as Mrs W could not afford or manage her existing commitments.

<u>Loan 2</u>

The credit file for loan 2 again does not show any adverse information. But the amount of unsecured debt had increased compared to loan 1 – and was still high relative to Mrs W's income. The balances on her credit cards had increased over the previous six months and the payments she was making were not making any real inroads into the principal balances. Again, I consider that in view of the information on Mrs W's credit file overall, a responsible lender ought reasonably to have had doubts about whether the amount of debt taken by Mrs W was sustainable and whether any new debt was affordable. So Lendable should have taken steps to verify her expenditure.

Mrs W has given us copies of her bank statements for the three months before loan 2 was approved. I agree with the conclusions reached by the investigator that the statements show that Mrs W's outgoings exceeded her income. Therefore, if Lendable had taken steps to verify her income and expenditure it could not fairly or reasonably have agreed further borrowing as Mrs W could not afford or manage her existing commitments.

Putting things right

Where a business has not acted fairly or reasonably, we usually look to put the consumer back in the position they would have been in had they been treated fairly in the first place. In this case, I do not consider that Lendable would have approved loan 1 or loan 2 if it had acted fairly. So I largely agree with the outcome proposed by the investigator – Lendable should put Mrs W in the position she would have been in had it not agreed loan 1 or 2.

Therefore, Lendable should:

- Add up the total amount it lent to Mrs W in both loans 1 and 2 – less any interest, fees and charges.

- Deduct all of the repayments that Mrs W made from the above amount.

- If the above recalculation results in Mrs W having paid more than the amount originally lent, then Lendable should refund any overpayments and pay interest at 8% simple per year from the date any overpayment was made until date of settlement. Lendable should remove any adverse information from Mrs W's credit file in relation to the loans. If HM Revenue and Customs requires Lendable to take tax off the interest, it should give Mrs W a certificate showing how much tax it has deducted, if she asks for one.

- If a capital balance remains, Lendable should arrange an affordable repayment plan with Mrs W. It would be entitled to record accurate information about how she has conducted the account.

My final decision

For the reason I've explained, my final decision is that I uphold this complaint. Lendable Ltd should put things right in the way I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 6 March 2025.

Ken Rose
Ombudsman