

The complaint

Mr B complains that Lendable Ltd was irresponsible in its lending to him. He wants all interest and fees he paid on the loans refunded.

What happened

Mr B was provided with two loans by Lendable. Loan one (£7,000) was provided in June 2019 and was repayable over 60 months with monthly repayments of around £200. Loan two (£7,500) was provided in July 2020 repayable over 48 months with monthly repayments of around £185.

Mr B said that Lendable authorised a second loan when he already had a substantial loan outstanding. He thought that given the information available to Lendable it shouldn't have provided either loan.

Lendable said that before loan one was provided a credit check was undertaken that didn't raise concerns and Mr B was asked about his employment and income. It said that Mr B's monthly income was verified as £1,485. It used his credit file to calculate Mr B's expenditure for existing credit commitments and said that as Mr B had said the loan was for debt consolidation this was taken into account.

Regarding loan two, Lendable said again that a credit check was undertaken that didn't raise concerns and Mr B was asked about his employment and income. Mr B's income was verified as £1,500 and his credit file used to calculate his expenditure for existing credit commitments. As Mr B had said the loan was for debt consolidation this was taken into account.

Lendable said that based on its affordability and credit checks the two loans were affordable for Mr B. It noted that Mr B had made all of his payments due under the loans on time and in full and settled both loans in April 2021.

Mr B referred his complaint to this service.

Our investigator thought that the checks carried out before the lending was provided were proportionate. As these didn't show any signs that Mr B was struggling financially or raise concerns about the affordability of the loans, he didn't think that Lendable had made an unfair lending decision and therefore didn't uphold this complaint.

Mr B didn't agree with our investigator's view and provided copies of his bank statements and credit report to support his case. He said that in the year preceding the first loan he had taken out several payday loans in quick succession. He said that had Lendable carried out adequate checks it would have realised his financial situation wasn't stable.

Our investigator issued a second view. He still found the checks carried out before the lending was provided were proportionate. However, he looked at the additional information Mr B had provided. He said that this didn't show any signs of Mr B being in financial difficulty or suggest the loan repayments would be unaffordable.

Mr B didn't accept our investigator's view. He said that his overdraft and account behaviour hadn't been taken into account and consideration hadn't been given to the fact he had two loans running at the same time.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr B was provided with two loans by Lendable and I have considered each of these separately.

Loan One: June 2019, £7,000

Loan one was for £7,000 (plus £515 fee) and had a total amount repayable of around £11,154. The loan was repayable over 60 months through 59 monthly repayments of around £185 followed by a final repayment of around £240. Before the loan was provided information was gathered about Mr B's employment and income. Mr B declared he was employed full time with a monthly income of £1,750. Lendable verified Mr B's income through a credit reference agency and identified a verified monthly income of £1,485. Mr B was asked about his residential status and said he was a homeowner with monthly mortgage payments of £210. He said the loan was for debt consolidation.

A credit check was carried out which showed Mr B had other active accounts. These included a mortgage account (outstanding balance of £85,235), loans/instalment credit totalling £7,443 and revolving credit totalling £5,509. The credit results didn't show any defaults or other adverse data recorded in the previous 36 months. It showed he made the minimum payment on his accounts five times in the previous 12 months and his revolving credit utilisation was 79%. Having looked through the credit data I do not think this suggested that Mr B was experiencing financial difficulty and there weren't signs that he wasn't managing his existing credit commitments. I note Mr B's comments about having taken out several payday loans in the previous 12 months, but these weren't shown on the credit report and as the information gathered didn't raise issues that I think meant further questions needed to be asked, I think it reasonable that Lendable relied on the credit data results it received.

Noting that Mr B said the purpose of the loan was debt consolidation and considering the size of the repayments compared to Mr B's verified monthly income, I think the checks carried out were proportionate.

However, just because I find the checks were proportionate, this doesn't necessarily mean that Lendable acted responsibly by providing the loan. To assess this, I have looked through

the information received through Lendable's checks to see if this raised any concerns that the repayments may not be sustainably affordable for Mr B.

Mr B's monthly income was verified as £1,485. I find it reasonable that Lendable relied on this although I note the bank statements Mr B has provided suggest he had an average monthly income higher than this in the months leading up to the lending.

Mr B had existing credit commitments at the time but as he had said the Lendable loan was for debt consolidation, I find it reasonable that this was factored into the assessment. Taking into account the mortgage costs Mr B had provided as well as his costs for credit after taking out the Lendable loan, I do not find that the evidence Lendable gathered through its checks suggested the Lendable loan repayments would be unaffordable.

As I think the checks carried out before the lending was provided were proportionate and these didn't suggest the lending to be unaffordable, I do not uphold this complaint in regard to loan one.

Loan two: July 2020: £7,500

Loan two was for £7,500 (plus £520 fee) and had a total amount repayable of around £9,635. The loan was repayable over 48 months through 47 monthly repayments of around £200 followed by a final repayment of around £195. Before the loan was provided information was gathered about Mr B's employment and income. Mr B declared he was employed full time with a monthly income of £1,500 and Lendable verified this through a credit reference agency. Mr B was asked about his residential status and said he was a homeowner with monthly mortgage payments of £415 of which his contribution was £207. He said the loan was for debt consolidation.

A credit check was carried out which showed Mr B had other active accounts. These included a mortgage account (outstanding balance of £84,474), loans/instalment credit totalling £9,428 and revolving credit totalling £441. The credit results didn't show any defaults or other adverse data recorded in the previous 36 months. It showed he made the minimum payment on his accounts three times in the previous 12 months and his revolving credit utilisation was 3%. Having looked through the credit data I do not think this suggested that Mr B was experiencing financial difficulty and there weren't signs that he wasn't managing his existing credit commitments.

Mr B already had an existing loan with Lendable and I think it reasonable that this was taken into account. Mr B had made his payments due on loan one on time before loan two was provided and so I do not find that his existing account behaviour with Lendable would have raised concerns. However, as he was taking out a second loan for debt consolidation around a year after the first, I think it would have been proportionate for Lendable to have ensured it had a clear understanding of Mr B's financial circumstances and so I have considered the information gathered to decide whether I think this happened.

Lendable verified Mr B's income as £1,500. I find it reasonable to rely on this. But I also note that based on Mr B's bank statements had further verification been undertaken this would likely have shown him to have a higher monthly income.

The information gained through Lendable's credit check showed Mr B's existing credit commitments and Lendable calculated that following the debt consolidation these would reduce by around £230 a month. As this was above the loan repayments due on the Lendable loan, this should have resulted in Mr B being in a better financial position. Having considered the information gathered, I think this gave Lendable a reasonable understanding of Mr B's financial situation.

Calculating the repayments for Mr B's credit commitments including the new loan left him with over £1,000 for his housing and other costs. Given he had said his mortgage contribution was £207 and noting that further checks would likely have shown Mr B to have a higher income than had been verified, I do not find this raises concerns about the affordability of loan two.

Taking everything into account, I find that Lendable gathered a reasonable amount of information before providing loan two and as this didn't raise concerns about the affordability, I do not find I can say that Lendable was wrong to provide this loan. Therefore, I do not uphold this complaint.

I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lendable lent irresponsibly to Mr B or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 February 2025.

Jane Archer
Ombudsman