DRN-5275738

The complaint

Mr R says Lendable Ltd irresponsibly lent to him.

What happened

Mr R took out a loan from Lendable for £1,000 over 18 months on 3 April 2024. The monthly repayments were £74.75 and the total repayable was £1,346.02.

Mr R says Lendable failed to complete an affordability assessment. He had three credit cards, one of which was in a payment plan, and two other loans outstanding. Lendable did not consider his monthly bills or financial responsibility to his child. He believes the only check that was completed was completed was a credit check, and this was done through a platform that not every lender reports to.

Lendable says it carried out adequate checks that showed the loan would be affordable for Mr R.

Our investigator did not uphold Mr R's complaint. He found Lendable's check were proportionate and it had made a fair lending decision based on the information it gathered.

Mr R disagreed and asked for an ombudsman's review. He said the disposable income he had went to his partner to cover rent, food and dependent costs.

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 Mr R required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he 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 Mr R.

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 Mr R. 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 Mr R. So to reach my conclusion I have considered the following questions:

- did Lendable complete reasonable and proportionate checks when assessing Mr R's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Lendable make a fair lending decision?
- did Lendable act unfairly or unreasonably in some other way?

I can see Lendable asked for some information from Mr R before it approved the loan. It asked for details of his monthly income and verified this with a third-party source that reviewed his current account turnover over the last three and 12 months. It checked Mr R's credit file to understand his credit history and current commitments. It used national statistics to estimate his accommodation and essential living costs. From these checks combined Lendable concluded Mr R had monthly disposable income of £609.02 and could afford to repay the loan.

I think these checks were proportionate given the term and value of the loan, and the monthly repayments relative to Mr R's income. And I think that Lendable made a fair lending decision based on the information it gathered. I'll explain why.

Mr R declared a net monthly income of £2,091 and Lendable's external checks verified this, with the highest confidence rating. His credit file showed he had debt of £5,906 across ten active accounts at the time and was using around 82% of his available credit on the revolving accounts. His two loan accounts were almost repaid in full. It seems he'd had some issues around 12 months prior as one account had defaulted, but that was now settled in full, and one credit card account was put onto an arrangement to pay. That plan, and all other active accounts were up-to-date.

He had withdrawn £20 cash on credit in the last 12 months, compared to £440 in the last 36 months, suggesting his finances had stabilised. There was only one search on his file in the last 12 months. He was not using an overdraft facility on either of his current accounts. So I don't think his file showed he was under financial strain at the time he applied.

Mr R says the provider Lendable used for the credit check does not take data from all lenders. But the platform he named is not a credit reference agency, it is an app/online service and its data feed is from one of the main credit reference agencies. He is right though that not all lenders report to all the agencies, but I can only fairly expect Lendable to respond to the data it received. Plus, the credit check I have seen reflects the credit agreements Mr R told us he had at the time.

Mr R's existing credit commitments were costing him around 10% of his monthly income and this loan would increase that to around 14%. I don't think that ought to have concerned Lendable.

So, in the round, I think it was fair for Lendable to give the £1,000 loan to Mr R.

He argues that the disposable income he had was needed for rent and living costs and to support his dependent. But the lender's calculation of £609.02 was after making an allowance of £1,195.38 for such costs. I accept Mr R's actual fixed outgoings may have been higher but it would not have been proportionate for it to have carried out a fuller financial review to possibly learn this.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lendable lent irresponsibly to Mr R 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

I am not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 February 2025.

Rebecca Connelley
Ombudsman