DRN-5290895

The complaint

Mrs D complains that Lendable Ltd irresponsibly lent her two loans which she couldn't afford.

What happened

Mrs D took out a loan with Lendable in January 2018. She borrowed £5,000 plus a fee over a term of four years. The monthly loan repayments were around £140.

Mrs D took out a second loan with Lendable in June 2021. She again borrowed £5,000, this time over a term of five years. The monthly loan repayments were around £145.

Mrs D made all the monthly payments to the first loan in full and on time, and it was settled at the end of the term in January 2022. She also made all the monthly payments to the second loan in full and on time. The second loan was repaid in August 2022 when Mrs D refinanced it with another lender.

In June 2024, through a claims management company, Mrs D complained that Lendable had been irresponsible in lending her both loans. She said she had been relying on credit cards for day to day expenses and she was in a cycle of debt with payday loans. She said she also had three other loans with monthly payments totalling just under £700 a month, and after the first few months she found the payments to the Lendable loans difficult to manage. She thought Lendable should have done more checks before granting the loans.

Lendable said it thought it had carried out appropriate affordability checks and Mrs D had met its lending criteria.

The complaint was referred to the Financial Ombudsman Service. Our Investigator noted that Mrs D had complained more than six years after she took out the first loan in 2018, so he began looking into whether her complaint about the first loan might be time-barred. Lendable however consented to us considering Mrs D's complaint about both loans.

Our Investigator concluded that Lendable had completed proportionate checks before agreeing the first loan. He thought it should have carried out more checks before lending the second loan, but he said that had it done so it would have concluded that the loan was affordable and sustainable for Mrs D given her financial circumstances. He said it hadn't lent either loan irresponsibly, so he didn't recommend that the complaint should be upheld.

Mrs D didn't accept that conclusion and asked for a review. She said that she had made every payment due on both loans but doing so had been very difficult and had left her relying on credit cards, and she thought that not making the payments would make things worse.

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 has consented to me considering Mrs D's complaint about both loans, so there's no need for me to look into whether the complaint about the first loan might have been made too late. I'm satisfied that I can consider her complaint about both loans.

In determining this complaint, I've considered relevant rules – including relevant sections of the Consumer Credit sourcebook – guidance, and good industry practice. Having done so, I've come to the same overall conclusion as the Investigator did, for much the same reasons.

In assessing Mrs D's loan applications, Lendable needed to take reasonable steps to ensure that, if it agreed to lend, it did so responsibly. In practice, this means it should have carried out proportionate checks to make sure that Mrs D could afford to repay any money it lent in a sustainable way. These checks could take into account a number of different things, such as how much was being lent, the level of monthly payments and Mrs D's income and expenditure. But there was no set list of checks Lendable had to do.

Lendable has provided details of the information Mrs D gave it in her loan applications, together with the checks it carried out when deciding whether to lend. Mrs D's stated monthly net income was £2,247 on the first application and £2,456 on the second application. She was renting a property; she said her monthly rent was £275 on the first application but no figure for rent was given on the second application.

Lendable has said it confirmed that Mrs D's income was as she had said by using credit reference agency information about the operation of her bank accounts. It has said it also used information on her credit report to check how much outstanding debt she had at the time of each application, how she was managing that debt, and how much her monthly payments were to that debt. On that basis, it has said that it calculated how much money Mrs D would have left from her income each month to cover living costs and day to day expenses if it lent the loans, and that the loans were affordable.

The bank statements Mrs D has provided to our Investigator show that the average of three months' income before the second loan application came to just over £2,350. That's slightly less than Mrs D had declared on the application. However, the following month, in June 2021, her monthly income from employment was just over £3,550 – more than on her application. So, overall, the income Mrs D declared and on which Lendable relied when assessing the affordability of the second loan was fairly accurate. On balance, given that Mrs D's declared income on the first application was slightly lower than on the second application and given what Lendable has said about the checks it carried out, I think it unlikely that the declared income on the first application was significantly different to Mrs D's actual income. It follows that had Lendable carried out further checks on Mrs D's income, it would most likely have found that it was as she had stated on both applications.

I share our Investigator's view that Lendable carried out proportionate checks before lending Mrs D the first loan, given what it knew about her financial situation, the amount and term of the loan she wanted, and the resulting monthly payments. Mrs D's credit file showed that she had a significant amount of existing unsecured debt at the time of the first application: around £33,000. It also showed however that she was managing that debt well overall: there was only one missed or late payment and one credit search in the preceding year, and only around £4,000 of her existing debt was on credit cards or other revolving credit against credit limits totalling around £8,000.

However, I also share our Investigator's view that it would have been proportionate for Lendable to have carried out further checks before lending the second loan. While Mrs D had managed the first loan well, the addition of the second loan meant her indebtedness to Lendable increased and her monthly payments doubled. Her credit file shows that her total unsecured debt had reduced to less than £20,000 by the time of the second application. Her payments were almost all up to date with no arrears history. There were, however, two missed or late payments in the preceding year and her debt on credit cards and other revolving credit had increased to just over £8,000 (against limits of over £9,000). Mrs D was continuing to rent a property, but no monthly rental costs were declared on the application.

Against this background, I consider that it would have been proportionate for Lendable to have carried out further checks before lending Mrs D the second loan, in order to satisfy itself that lending that loan would be affordable and sustainable for her. Had it done so, however, I don't think I can reasonably conclude that it would have been wrong to grant the second loan.

The bank statements Mrs D has provided for the three-month period before she applied for the second loan show her income and outgoings. Our Investigator calculated that, in the month with the highest expenditure during this period, Mrs D had around £1,300 left to cover food, travel, and other living costs after bills and payments to existing debts. This indicates that the monthly payments of £145 for the second loan should therefore have been affordable on a sustainable basis – and I think it would be difficult to conclude that it was unreasonable for Lendable to lend that loan.

In summary, I consider that Lendable carried out proportionate checks in assessing the first loan application and that its decision to lend the first loan wasn't irresponsible. I consider that it should have carried out further checks when assessing Mrs D's second application to satisfy itself that she could afford to repay the loan in a sustainable way. But I think that had it done those further checks it would have concluded the loan was sustainably affordable, and I don't consider that it lent irresponsibly. I don't therefore require it to compensate Mrs D or to take any other action to settle this complaint.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 7 April 2025.

Janet Millington
Ombudsman