

The complaint

Mr C complains that Lendable Ltd lent irresponsibly when it approved his loan application.

What happened

Mr C applied for a loan of £4,000 with Lendable in October 2023. In his application, Mr C said he was self employed with a monthly income of £2,092 and renting his home. The loan application was made for debt consolidation purposes. Lendable says it completed an income and expenditure assessment using figures obtained from nationally recognised statistics. Lendable says it also says it confirmed Mr C's earned income via a tool provided by the credit reference agencies that looks at the movements in his bank account. In addition, Lendable got access to Mr C's bank account history over the preceding months. A credit search was completed that found Mr C had various unsecured debts totalling around £23,500. No recent missed payments or adverse credit was found on Mr C's credit file.

Lendable applied its lending criteria and says by proceeding with the loan and consolidating some debts Mr C would save around £120.15 a month. The loan was approved with £4,000 being released to Mr C in addition to a Loan Fee of £122 and interest of £3,964.09. The total loan amount approved was £8,086.09 with monthly repayments of £169.33 over a four year term.

Last year, representatives acting on Mr C's behalf complained that Lendable lent irresponsibly and it issued a final response. Lendable didn't agree it lent irresponsibly and didn't uphold Mr C's complaint.

An investigator at this service went on to uphold Mr C's complaint. During the investigation, Lendable provided some details about the way it looks at loan applications and confirmed it had used outgoings that were based on national statistics, not the details including in his open banking transactions. Our investigator thought that whilst the loan appeared affordable but Mr C's credit history over the year before he made his application to Lendable showed he was borrowing at an unsustainable rate. The investigator also wasn't persuaded the information Lendable had supplied showed how the loan would've saved Mr C £120.15 a month or benefited him. The investigator thought that Mr C's borrowing history, that included two loans totalling £11,000 in the preceding year and a high reliance on credit card debt should've shown Lendable a new loan totalling over £8,000 wouldn't be sustainable. The investigator asked Lendable to refund all interest, fees and charges applied to his loan.

Lendable asked to appeal and said Mr C's disposable income appeared reasonable and that loan payments were affordable. Lendable also said that Mr C's loan was taken for debt consolidation purposes and that it wasn't its role to tell a customer to close existing accounts. Mr C's representatives confirmed he accepted the investigator's recommendations. As Lendable asked to appeal, Mr C's complaint has been passed to me to make 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.

Before agreeing to lend, the rules say Lendable had to complete reasonable and proportionate checks to ensure Mr C could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've looked at the information available to Lendable and considered the information it's provided about how it assesses loan applications. I understand Lendable used statistical data, an approach it's allowed to take under the relevant rules, when assessing Mr C's outgoings. But I think it's fair to say Mr C already owed a high level of unsecured debt when compared against his income. And I note Lendable had three months of Mr C's bank account history on file which would've given it a more detailed picture of his finances, rather than relying on estimates. Given the levels of borrowing found on Mr C's credit file in the previous year, in my view, it would've been more appropriate for Lendable to have carried out a more thorough assessment. As noted above, there's no set list of checks Lendable had to complete but one option would've been to review Mr C's banking history which is what I've done.

Like the investigator, I found Mr C's regular income was actually somewhat lower than the figure declared in his application at around £1,700 a month. Mr C's bank statements also show his regular outgoings for living expenses were reasonably low at around £225 a month but that his monthly credit commitments were high at around £930. Together, that meant Mr C's essential outgoings were around £1,155, leaving him with around £500 a month. So on the face of it, the loan appears to have been affordable to Mr C.

With the above being said, I think Mr C's credit file shows he was already caught in a cycle of debt and was borrowing from multiple sources at an unsustainable rate. Mr C's credit file shows he had a history of taking out loans for debt consolidation and transferring credit card debt to them. But while the credit card debt was temporarily cleared, Mr C used them again increasing the outstanding balance he owed. Mr C then borrowed more to consolidate the credit card debt. I can see, from Mr C's credit file, he took out two loans totalling £11,000 in the preceding year, using the funds to partially clear credit card debt. Mr C's credit card debt then increased again which appears to have led to his Lendable application being made. In my view, there was clear information available to Lendable that showed Mr C wasn't borrowing in a sustainable way and was very much caught in a cycle of borrowing.

I also think it's fair to note that whilst Lendable has told us Mr C stood to save around £120 a month by taking the loan, I haven't seen any evidence to support that claim. I note that cost for taking the loan was around double the amount released to Mr C. In my view, before approving a £4,000 loan that came with interest and fees of £4,086.09 Lendable needed to be very clear in was in Mr C's interests to proceed. I'm not persuaded that the evidence

provided shows it was in Mr C's interests to take out a loan totalling £8,086.09 or that Lendable lent responsibly when it approved it. As I don't think Lendable lent responsibly, I'm upholding Mr C's complaint and directing it to refund all interest, fees and charges applied.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 below results in fair compensation for Mr C in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Mr C's complaint and direct Lendable Ltd to settle as follows:

Add up the total amount of money Mr C received as a result of having been given the loan. The repayments Mr C made should be deducted from this amount.

- a) If this results in Mr C having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- b) If any capital balance remains outstanding, then Lendable should arrange an affordable and suitable payment plan with Mr C.
- c) Once Mr C has cleared the balance, any adverse information in relation to the loan should be removed from their credit file.

† HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr C a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 March 2025.

Marco Manente
Ombudsman