

The complaint

Miss W complains that Lendable Ltd lent irresponsibly when it approved her loan application.

What happened

Miss W applied for a loan of £9,500 with Lendable over a sixty month term in April 2021. The reason given for the loan was debt consolidation. In her application, Miss W said she was employed with a monthly income of £1,436. Miss W also said she was renting but no figure to show how much she was paying was provided. Lendable used a service provided by the credit reference agencies to verify Miss W's income and looked at her credit file. Lendable says it found Miss W owed around £11,000 to her existing lenders of which around £9,700 was revolving credit (like a credit or store card). Various defaults were found but they were at least a year old at the point of Miss W's application.

Lendable applied its lending criteria and says that if Miss W used the funds she was borrowing to consolidate some of her other debts, it would leave her with an estimated disposable income of around 75% of her monthly take home, or £1,075 a month to cover her remaining outgoings.

In 2022 Miss W contacted Lendable and it agreed a payment plan.

Last year, Miss W complained that Lendable lent irresponsibly when it approved her loan application and it sent her a final response. Lendable said it had carried out the relevant lending checks and didn't agree it lent irresponsibly. Lendable didn't uphold Miss W's complaint.

An investigator at this service looked at Miss W's complaint and upheld it. They weren't persuaded that Lendable had carried out reasonable lending checks before approving the loan and thought it should've gone further to try and verify Miss W's circumstances. The investigator looked at Miss W's bank statements and found she was already over committed at the point of application. The investigator thought better lending checks would've most likely led Lendable to decline Miss W's application and asked it to refund all interest, fees and charges applied to her loan. Lendable asked to appeal and said Miss W had used the loan funds to consolidate other debts shortly after it was approved in April 2021, saving her money.

Lendable added that in 2022 Miss W had contacted it to explain she was experiencing financial difficulties as a result of a change in her circumstances. Lendable said by October 2022 Miss W's credit file showed she'd continue to borrow elsewhere which had increased her overall outstanding balance after its loan was already approved. As Lendable asked to appeal, Miss W'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 Miss W 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.

In its submissions to us, Lendable has provided a copy of the credit file it obtained and some of the lending checks it completed. I can see Lendable verified Miss W's income level at £1,436 a month and looked at how she was handling her existing credit. And I can see that Lendable reached the conclusion Miss W would have around 75% of her take home income available if she completed the loan application and consolidated credit card debts as planned. But Lendable hasn't sent us evidence to show the specific outgoings it used when looking at Miss W's circumstances so I don't know what figures it used for rent or regular bills for instance. And I haven't been able to reach the same position as Lendable in terms of the savings it says the loan should've given Miss W. In the absence of that information, I'm unable to say Lendable carried out reasonable and proportionate checks before approving Miss W's loan. As I haven't seen evidence that shows proportionate checks were completed I've considered what Lendable would've found if it had taken a more comprehensive approach to Miss W's application.

One option Lendable had was to review Miss W's bank accounts for the preceding months to get a clearer picture of her circumstances which is what I've done. I can see that Miss W's income was actually somewhat higher than the figure used in the application. But Miss W's outgoings were reasonably high when compared against her income. I looked at the three months before Miss W's application was made and found her regular outgoings for rent, bills and items like food and transport came to an average of around £1,485 a month against an income of around £1,900. That means Miss W had around £415 left each month to cover her debts and everyday spending.

Once approved, the new loan payment came to £307.57 a month. And whilst the loan could've repaid most of Miss W's credit card debt, she'd still have had to make monthly repayments of around £145 towards the remaining balance. Taken together, that totals £452 a month but Miss W only had around £415 left after covering her existing outgoings. That means Miss W would've already been overcommitted without any surplus funds available for everyday expenses or emergencies. In my view, if Lendable had carried out better lending checks it would've most likely declined Miss W's loan application on the basis that repayments weren't sustainable.

For the reasons I've noted above, I'm satisfied it wasn't responsible to approve Miss W's loan so going to tell Lendable to refund the £700 loan fee, interest and any fees or charges applied.

I note Lendable's comments about Miss W's circumstances after the loan was approved but it doesn't impact how I think it ought to have handled her application or whether it lent responsibly.

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 Miss W in the circumstances of her 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 Miss W's complaint and direct Lendable Ltd to settle as follows:

Add up the total repayments Miss W has made and deduct these from the total amount of money she received.

- a) If this results in Miss W having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).^{*} Lendable should also remove all adverse information regarding this account from her credit file.
- b) If any capital balance remains outstanding, then Lendable should arrange a new affordable and suitable payment plan with Miss W. Once Miss W's cleared the balance, any adverse information in relation to the account should be removed from her credit file.

^{*}HM Revenue & Customs requires Lendable to take off tax from this interest. It must give Miss W a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 27 March 2025.

Marco Manente
Ombudsman