

Complaint

Ms J has complained about a loan Lendable Ltd (“Lendable”) provided to her. She says that Lendable didn’t do enough background investigations to ensure that the loan was affordable for her.

Background

Lendable provided Ms J with a loan for £7,000.00 in January 2018. The loan had an APR of 18.2% and a 60-month term. This meant that the total amount to be repaid of £10,407.27, which included interest, fees and other charges of £3,407.27 (comprised of interest of £2,987.27 and a loan fee of £420), was due to be repaid in 59 instalments of £173.48 followed by a final payment of £171.95.

I understand that Ms J fell into difficulty repaying her loan and the outstanding debt on it has been sold on to a third-party debt purchaser.

One of our investigators reviewed what Ms J and Lendable had told us. And she thought that Lendable hadn’t acted unfairly when providing Ms J with her loan. So she didn’t uphold Ms J’s complaint.

Ms J disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Ms J’s complaint.

Having carefully considered everything, I’ve decided not to uphold Ms J’s complaint. I’ll explain why in a little more detail.

Lendable needed to make sure it didn’t lend irresponsibly. In practice, what this means is Lendable needed to carry out proportionate checks to be able to understand whether Ms J could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Lendable says it agreed to Ms J's application after she provided details of her monthly income and expenditure. It says it cross-checked this against information it obtained from credit reference agencies on the amount of funds Ms J received into her main bank account each month and a credit search which it carried out.

In its view, the information it gathered about Ms J's income and expenditure showed that Ms J would be able to make the repayments she was committing to. Lendable says, in these circumstances it was reasonable to lend. On the other hand, Ms J has said the loan was unaffordable and so she shouldn't have been lent to.

I've carefully thought about what Ms J and Lendable have said.

The first thing for me to say is that this was Ms J's first loan with Lendable. The information provided does suggest Ms J was asked to provide details of her income and expenditure and Lendable didn't just rely on what it was told. It cross-checked Ms J's declaration of income against information that it obtained from credit reference agencies and this suggested that it could be confident that Ms J received a sufficient amount to be able to make her repayments.

I'm also mindful that the credit search carried out showed that Ms J unsecured debt wasn't excessive and appeared to be reasonably managed - although I do accept that there was one account that had had some arrears at some point between 12 and 36 months prior to this application.

In these circumstances, at the absolute most it could be argued that Lendable needed to ask Ms J about her living costs rather than rely on estimates of this. However, I've not been provided with anything to indicate that Ms J's living expenses were significantly higher than Lendable believed. Bearing this in mind and what the rest of the information shows, I can't reasonably say that further scrutiny of the information gathered would have prevented Lendable from providing this loan.

Ms J has also let us know that she has gone through a difficult time and that she feels Lendable took advantage of this. I want to start by saying that I sympathise with what Ms J has told us and appreciate that she's had a very difficult time. However, I've not seen anything to indicate that Lendable was aware of Ms J's circumstances, nor can I say that it ought reasonably to have been aware of them either. As this is the case, I can't say that Lendable ought to have done more at the time it agreed to lend.

Finally, I note that Ms J is unhappy that Lendable didn't obtain copies of bank statements from her. I appreciate that Ms J believes she was provided with a large loan and this means that Lendable should have asked for bank statements. However, it isn't generally expected for a lender to obtain bank statements from a customer before providing an unsecured loan.

I'm also mindful that as I've previously explained, Ms J's income was cross-checked and the credit check carried out didn't show anything to suggest that she was experiencing difficulty – such as defaulted accounts, county court judgments or other significant missed payment information – being recorded against her. In these circumstances, I can't reasonably say that Lendable ought to have obtained bank statements from Ms J either.

Equally, as the information gathered appeared to show that the monthly repayments were affordable for Ms J, I don't think that Lendable did anything wrong in deciding to lend to her. So overall I don't think it was unreasonable for Lendable to provide this loan to Ms J.

In reaching my conclusions, I've also considered whether the lending relationship between Lendable and Ms J might have been unfair to Ms J under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Lendable irresponsibly lent to Ms J or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

As this is the case, I'm not upholding Ms J's complaint. I appreciate this will be very disappointing for Ms J. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Ms J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 31 March 2025.

Jeshen Narayanan
Ombudsman