

## The complaint

Mr F complains that Lendable Ltd lent irresponsibly when it approved three loan applications he made between 2021 and 2023.

## What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

*Mr F applied for a loan of £4,000 with Lendable in May 2021 over a two year term with monthly repayments of £203.91 (loan 1). The total balance repayable was £4,910.60 once interest and fees were applied. In his application, Mr F said he was renting and employed with a monthly income of £1,663. Lendable says it verified Mr F's income level via a service provided by the credit reference agencies. Lendable carried out a credit search and found Mr F owed around £3,700 in other unsecured debts. Lendable applied its lending criteria and says that after covering Mr F's existing credit commitments and new loan payment of £203.91 he had around 80% of his income remaining (£1,330) to cover his living expenses and regular outgoings. Lendable approved the loan and the funds were issued to Mr F.*

*In September 2022 Mr F applied for a new loan with Lendable. Mr F applied to borrow £5,000 over a two year term with monthly repayments of £284.27 (loan 2). The total loan repayable was £6,843.01 after interest and fees were applied. Mr F provided the same information about his circumstances as the previous application. Lendable verified Mr F's income level again. Lendable looked at Mr F's credit file and found he owed around £3,872 in unsecured debt, including its existing loan. Lendable found Mr F had missed two credit card payments around three months before his application and a telecoms payment around two months before. The credit file showed Mr F had subsequently cleared the credit card balance. Lendable says that with its new loan payment Mr F's unsecured debts came to around £615 a month leaving him with around £1,047 to cover his remaining living expenses and everyday spending. The loan was approved and funds used to repay the previous loan and remainder issued to Mr F.*

*Mr F applied for a new loan with Lendable in August 2023. Mr F applied to borrow £6,000 over a two year term with monthly repayments of £368.60 (loan 3). The total loan repayable was £8,857.32 after interest and fees were applied. In his application, Mr F said he was renting and earning £1,865 a month which was verified by Lendable. Lendable carried out a credit check and found Mr F owed around £7,430 in other unsecured debt including its existing loan which had an outstanding balance of around £3,545. Lendable applied its lending criteria and says that after its new loan was approved Mr F had around £497.50 available as disposable income after meeting his credit commitments and living expenses.*

*Last year, representatives acting on Mr F's behalf complained that Lendable had lent irresponsibly. Lendable issued a final response but didn't uphold Mr F's complaint and said it had carried out the relevant lending checks before approving the loans.*

*An investigator at this service upheld Mr F's complaint in part. They weren't persuaded that Lendable had lent irresponsibly in relation to loan 1, but the investigator noted there were*

some missed payments before loan 2 and Mr F had borrowed £11,000 shortly before taking loan 3. The investigator thought that should've been sufficient for Lendable to decline both applications without carrying out further checks.

Lendable asked to appeal and said that whilst it had picked up the missed payments before loan 2 they appeared to have been caused by a temporary issue and didn't show Mr F was unable to afford a new loan. As Lendable asked to appeal, Mr F's complaint has been passed to me to make a decision.

### **What I've provisionally 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 F 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'll look at each loan in turn. Lendable's provided evidence that shows the Mr F confirmed he was renting and earning £1,663 a month in loan 1's application. Lendable's also provided a full copy of Mr F's credit file that shows he owed around £3,700 in unsecured debt. There was no recent missed payments or other adverse information on Mr F's credit file. And I can see that Lendable applied its new loan payment to Mr F's existing credit commitments, totalling around £330, leaving £1,330. I'm satisfied that was a reasonable figure in terms of Mr F's ability to afford his remaining living expenses and everyday spending. In my view, Lendable carried out reasonable and proportionate checks before deciding to approve loan 1. And I'm satisfied the information Lendable obtained showed the new loan was affordable for Mr F. I'm sorry to disappoint Mr F but I haven't been persuaded Lendable lent irresponsibly when it approved loan 1.

The application information for loan 2 matched the details Mr F provided for loan 1. Another credit search was completed that found Mr F owed £3,872, broadly in line with what he owed when he applied for loan 1. I can see two missed credit card payments. But I think it's fair to note that whilst there were two missed payments, Mr F went on to clear the outstanding balance. And at the time of application, Mr F's outstanding balances for his unsecured credit were broadly in line with what he owed when applying for loan 1. In my view, that lends some weight to Lendable's argument that the issue appears to have been temporary. But given the fact Mr F was refinancing his previous loan and had some issues on his credit file in the preceding months as well as the fact Lendable had access to his open banking transactions, I think it would've been more reasonable for it to have taken a closer look at the application before approving it. I haven't been persuaded that the missed payments, in their

own right, were a sufficient reason for Lendable to decline Mr F's application without further consideration.

One option available to Lendable was to review Mr F's current account history over the previous three months which is the approach I've taken. Mr F's bank statements show he earned an average of £1,596 after deductions in the preceding three months. The June/July 2022 bank statement shows that whilst Mr F did repay the credit card balance I've noted above (and another) it was due to receiving an £8,000 credit from a third party on 6 July 2022, not on the basis of his ability to sustainably manage repayments. I also note that Mr F's bank statements show an unusually high level of buy now pay later payments. For example, in the June/July 2022 statement, I counted 36 buy now pay later transactions, in July/August 2022 there were 19 and in August/September 2022 there were 12. Whilst Mr F's committed outgoings were relatively low, he was clearly using credit to support everyday spending.

Given Mr F had missed a number of payments in the preceding months and his credit cards were repaid from funds either given or borrowed from someone else, in addition to his use of buy now pay later credit, I think a review of Mr F's bank statements would most likely to have led Lendable to decline his application for loan 2. In my view, the decision to approve loan 2 wasn't reasonable and Lendable lent irresponsibly. So I intend to tell Lendable to refund all interest, fees and charges applied to loan 2.

Lendable's file submission says that using loan 3 to consolidate some of Mr F's other debts and repay loan 2 would save around £590 a month. But I haven't been able to reach the same conclusions when looking at the information available or arrive at that figure. Of the £6,000 borrowed, £3,454.87 was used to redeem loan 2, leaving £2,545 to repay other debts. If Mr F had applied that figure to credit card balances he was making 3% payments to, he would've saved around £76.35 a month in addition to the loan 2 repayment of £284.27 which comes to £360.62. Loan 3's payment was £368.60, so if Mr F was making 3% monthly repayments to his credit cards he wouldn't have saved anything.

If Mr F were making 5% minimum payments to £2,545 of credit card debt he would've been paying £127.25 before loan 3, in addition to the £284.27 loan 2 payment, totalling £411.52. At best, my calculations indicate the most Mr F could've saved by proceeding with loan 3 was around £50 a month. But to do that, Mr F had to refinance loan 2, extending the term the remaining balance of £3,545 would be repayable over, and incur £2,857.32 in additional interest and loan fees. I'm unable to see any benefit to Mr F by proceeding with loan 3 and I'm not persuaded the decision to approve it wasn't reasonable. I think, Lendable lent irresponsibly when it approved loan 3.

I've also taken into account that between loan 2 and loan 3 Mr F's unsecured borrowing levels almost doubled in the eleven months between applications which further lends weight to the argument he wasn't borrowing at a sustainable rate.

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 above results in fair compensation for Mr F 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.

For the reasons I've given above, I intend to uphold Mr F's complaint and direct Lendable to refund all interest, fees and charges (including loan fees) for loan 2 and 3.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Lendable responded to confirm it accepted

my provisional decision. We didn't hear back from Mr F's representatives.

### **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.

As no new information has been provided and Mr F's representatives didn't confirm whether he accepted I'm issuing a final decision that is in line with the conclusions I reached in my provisional decision. As no new information has been provided, I see no reason to change the conclusions I reached and still think Mr F's complaint should be upheld.

### **My final decision**

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

Add up the total amount of money Mr F received as a result of having been approved for loan 2 and loan 3. The repayments Mr F made towards loan 2 and loan 3 should be deducted from this amount.

- a) If this results in Mr F 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). Lendable should then remove any adverse information recorded about loan 2 and loan 3 from Mr F's credit file.†
- b) If any capital balance remains outstanding, then Lendable should arrange an affordable and suitable payment plan with Mr F. Once any outstanding balance has been repaid, Lendable should remove any adverse information recorded on Mr F's credit file about loan 2 and loan 3.

† HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr F 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 F to accept or reject my decision before 9 April 2025.

Marco Manente  
**Ombudsman**