DRN-5470778

The complaint

Mr M, through a representative, says Lendable Ltd irresponsibly lent to him.

What happened

Mr M took out a 48-month instalment loan for £4,535 from Lendable on 29 December 2022. The monthly repayments were £191.43 and the total repayable was £9,173.79. All repayments were made on time until the loan was repaid in full in August 2023.

Mr M says Lendable should not have lent to him. He was already struggling to repay other debts at the time, and was just borrowing more money every month to pay off existing debt.

Lendable says it carried out adequate checks that showed the loan would be affordable for Mr M.

Our investigator did not uphold Mr M's complaint. He said Lendable's checks were proportionate and it made a fair lending decision based on the information it gathered.

Mr M disagreed and asked for an ombudsman's review. He gave details of four high-cost short-term credit agreements he had taken out in 2016/17 and then struggled to repay. He said given this history further checks were needed. This loan stopped him getting out of a cycle of debt causing him great distress and depression.

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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Lendable lent to Mr M required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check. The checks also had to be borrower-focused. So Lendable had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr M.

In other words, it wasn't enough for Lendable to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mr M. Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've kept all of this in mind when thinking about whether Lendable did what it needed to before agreeing to lend to Mr M. So to reach my conclusion I have considered the following questions:

- did Lendable complete reasonable and proportionate checks when assessing Mr M's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Lendable make a fair lending decision?
- did Lendable act unfairly or unreasonably in some other way?

I can see Lendable asked for some information from Mr M before it approved the loan. It asked for details of his monthly income and verified this with a third-party source that reviewed his current account turnover. It checked Mr M's credit file to understand his credit history and current commitments. It asked for his housing costs. It estimated his other outgoings based on national statistics. It asked about the purpose of the loan which was debt consolidation. From these checks combined Lendable concluded Mr M had enough monthly disposable income to be able to sustainably repay the loan.

I think these checks were proportionate given the value and term of the loan and the monthly repayment relative to Mr M's income. And I find and that Lendable made a fair decision based on the information it gathered. I'll explain why.

Mr M declared a monthly income of £3,326 and Lendable verified this externally. The credit check showed Mr M had £11,289 of active unsecured debt and was up-to-date on all his active accounts. His credit utilisation was 73% on his credit cards. He had no active payday loans and was not using any of his overdraft facility. He had no delinquent accounts in the last 12 months and no defaults in the last 36 months. There was some older adverse data as Mr M has said, but I think it was sufficiently historic that it was reasonable for Lendable to conclude Mr M's position had stabilised – particularly given the management of his active accounts. And there were only two searches on his file in the last 12 months which did not indicate he was repeat borrowing to repay his debts.

After taking on this loan Mr M would be paying around 24% of his income on his unsecured credit, including the repayment of some older defaulted debt he still needed to settle. That is not a proportion that I think should have concerned Lendable, or prompted further checks. In addition Mr M told Lendable the loan was for debt consolidation. I don't know if he went on to settle existing debts but Lendable could only make a reasonable decision based on the information it had available at the time. As Mr M didn't have a history of applying for loans with Lendable for consolidation purposes and then returning for further funds after having failed to consolidate as he said he would, I think Lendable was reasonably entitled to believe the funds would be used for the stated purpose. This means it was reasonable for the lender to conclude his monthly credit commitments could be less than the 24% of income stated above, which was already affordable.

Lendable's checks showed that after consolidation Mr M would have £1,593.77 disposable income remaining each month after repaying his debts, paying for essential spending and meeting his repayment for this new loan. So as with the review of his creditworthiness, I cannot agree that its affordability assessment should have prompted further checks.

It follows I do not find Lendable was wrong to give the loan to Mr M. And I have seen no evidence Lendable acted unfairly towards Mr M in some other way.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lendable lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 May 2025.

Rebecca Connelley
Ombudsman