DRN-5488975

The complaint

Mr R complains that Lendable Ltd (Lendable) acted irresponsibly when they agreed to lend to him as he said the loan wasn't affordable.

What happened

In October 2023 Mr R entered into a Fixed Sum loan agreement with Lendable for £8,900. The total amount repayable after interest fees and charges were applied was £12,135.44. This was repayable over 36 months, with 35 payments of £336.93 and a final payment of £342.89. Mr R said he struggled to sustain the repayments. He'd been out of work and using credit to manage his finances. He complained to Lendable as he didn't think they'd sufficiently checked he could sustain the repayments of the loan.

Lendable said they'd used Mr R's application, credit reference agency (CRA) and statistical data to assess his credit worthiness. Mr R applied for the loan for debt consolidation and by agreeing to lend to him his financial burden each month should have reduced. Based on their checks they said they'd made a fair lending decision.

Mr R wasn't happy with Lendable's response and referred his complaint to us.

Our investigator agreed Lendable had carried out reasonable and proportionate checks but didn't agree they'd made a fair lending decision as Mr R didn't have sufficient disposable income to be able to sustain the repayments.

Lendable didn't agree and asked for an ombudsman to decide.

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.

Having done so I'm upholding this complaint.

When someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy them the lending was affordable, and that the affordability was sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair.

And if reasonable and proportionate checks weren't carried out, I need to consider if the loan would have been approved if the checks had taken place. In reaching my decision I've considered the relevant rules, guidance and good industry practice.

There's no set list for what are reasonable and proportionate checks. But CONC 5.2A provides guidance as to the extent and scope of a creditworthiness assessment and the steps needed to satisfy the requirement that the assessment is a reasonable one, based on sufficient information and proportionate to, the individual circumstances of each case.

The risk of credit not being sustainable directly relates to the amount of credit granted and the total charge for credit relative to the consumer's financial situation. This means Lendable in lending to Mr R is required to carry out a reasonable assessment of whether he could afford to repay the loan in a sustainable manner. This is sometimes referred to as an affordability assessment or affordability check.

The affordability checks should be borrower-focused – so Lendable needed to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mr R . This means it wasn't enough for them to only think about the likelihood that they would get their money back without considering the impact of repayment on Mr R.

Checks should be proportionate having consideration for the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

I've considered the checks Lendable said they did.

I can see Lendable asked for some information from Mr R before they approved the loan. They asked for details of his monthly income and verified this with a third-party source that reviewed his current account turnover. They checked Mr R's credit file to understand his credit history and current commitments. And asked about the purpose of the loan which Mr R said was for debt consolidation. But I haven't seen any evidence as to which debts Mr R was looking to settle or any amounts. From these checks Lendable concluded Mr R had around £111 monthly disposable income to afford to repay the loan.

I've considered the information Lendable obtained form Mr R's credit file. This shows Mr R had 12 active accounts and an overall balance of around £10,000. Of these seven were credit card accounts some of which had a zero balance, which were settled around the same time another credit card account was opened. One credit card with a credit limit of £6,500 and a balance of £895 was settled around February 2023, but another credit card account was opened in March 2023 with a credit limit of £6,600, and by July 2023 I can see Mr R's balance for this credit card exceeded his credit limit, and by August 2023 his utilisation was around 85%. Around the same time, in July 2023 Mr R opened another credit card account this time with a credit limit of £5,500. He settled one of his other credit card accounts with a credit limit of £5,200 in September 2023. This is indicative that Mr R might be transferring credit to other cards for example where there might be a promotional offer. But each new credit card had a slightly higher credit limit, and his usage had increased. Neither of the settled credit cards were closed meaning Mr R could again use the credit limits he'd available to him. From Mr R's credit file I can see his available credit was close to £26,000.

Mr R has said he was using his credit cards to manage his finances while he wasn't working. I can see Mr R's debt had increased which appears to have led to his Lendable application being made. I think there was clear information available to Lendable that showed Mr R was caught in a cycle of borrowing. And while he may have been looking to consolidate his debt, he wouldn't with this loan have settled all of them. And he would have still had the opportunity to increase his credit card balances again.

I've considered Lendeable's comments that Mr R stood to save around £500 a month by taking the loan, but they haven't specifically shown how they reached that amount as I can't see any breakdown of the debt Mr R said he was looking to consolidate.

From the evidence Lendable has provided and their assessment of Mr R's disposable income I don't think it was responsible of Lendable to approve the loan. While I think Lendable's checks gave them a good understating of Mr R's income and non-discretionary spending I don't think based on what they found that they made a fair lending decision. I say this as Lendable said their checks included an assessment of the reduced monthly commitment Mr R would have, once his debts had been consolidated and they'd factored this into their credit worthiness assessment. After servicing his debts, meeting essential spending, and meeting the repayment for the new loan. Lendable said Mr R would have left around £111 in disposable income which I don't think was sufficient to cover any discretionary or unexpected costs given Mr R's living arrangements, being a tenant. So I think the repayments required under this loan agreement were unsustainable for Mr R.

As outlined above I also think Mr R was in a cycle of borrowing to meet other borrowing. which I think is supported by Mr R settling his loan with Lendable early as he'd sought borrowing from elsewhere to settle the agreement he'd with them.

I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Mr R 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.

Putting things right

Where we find a business has done something wrong we would look to put the complainant back into the position they were before the error was made. But in cases such as this its not possible to do this as Mr R has had the benefit of the capital loaned to him and he should pay this back. But I don't think its fair for Lendable to have applied any interest and charges to this.

I can see from Lendeable's statement of account that Mr R has settled the loan agreement.

My final decision

I uphold Mr R’s complaint and ask Lendable Ltd to:

- Rework Mr R’s account removing all interest and charges that have been applied. Any repayments Mr R has made should be deducted from this amount. If this results in Mr R having paid more than the capital amount he received, any overpayments should be refunded along with *8% simple interest (calculated from the date the overpayments were made until the date of settlement). And
- Remove any adverse information about this agreement from Mr R’s credit file.

His Majesty’s Revenue & Customs requires Lendable Ltd to deduct tax from any award of interest. It must give Mr R a certificate showing how much tax has been taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R to accept or reject my decision before 30 July 2025.

Anne Scarr
Ombudsman