

The complaint

Mr G complains that Lendable Ltd was irresponsible in its lending to him.

Mr G is represented by a third-party but for ease of reference I have referred to Mr G throughout this decision.

What happened

Mr G was provided with a £3,000 loan by Lendable in October 2022. The loan term was 24 months and Mr G was required to make monthly repayments of around £183. Mr G said that when the loan was provided, he already had a lot of debt and was struggling to pay his bills. He said he had a poor credit score and had had a £1,500 overdraft on his account for 20 years. Mr G doesn't think that adequate checks were carried out before the loan was given and said that had these happened Lendable would have realised that the loan was unaffordable for him.

Lendable issued a final response to Mr G's complaint. It said that before providing the loan it carried out checks to ensure Mr G met its affordability criteria. It explained it used data from Mr G's application and information gained from his credit file and concluded that he had a sufficiently healthy credit history. Lendable said that Mr G declared a monthly income of £2,017 and that it was able to validate this. It stated that its checks didn't show anything that meant the loan shouldn't have been provided.

Mr G referred his complaint to this service.

Our investigator said that Lendable's credit check showed that Mr G's credit cards were persistently at their credit limit, that he was often just making the minimum repayments and that he had opened two new credit card accounts within the previous six months. It also noted that Mr G had been three months in arrears on a secured loan in the past 24 months. Given this our investigator thought that further checks should have taken place before the loan was provided.

Our investigator considered what would have been identified had further checks taken place. He assessed the information contained in Mr G's bank statements for the three months leading up to the lending and found that these showed his monthly income as £2,063 and his monthly expenditure as around £1,979. This would leave monthly disposable income of around £84 which wasn't enough to cover the cost of the Lendable loan repayments. Therefore, our investigator upheld this complaint.

Lendable responded to our investigator's view. It noted that Mr G's account statements showed additional payments being received from individuals which were recorded on his credit file as living at the same address. It thought these were likely to be contributions towards costs which needed to be considered. It also noted that there were substantial cash payments into Mr G's account which hadn't been included in the income and expenditure assessment.

Our investigator responded to the points made by Lendable but as these didn't change his

view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, Lendable gathered information through its application process about Mr G's employment, income and residential status. It validated Mr G's income using a credit reference agency tool and carried out a credit check. An affordability assessment was undertaken based on Mr G's income and the credit repayments identified through the credit check. I have looked through the information received and agree that based on Lendable's calculations the loan repayments appeared affordable.

While the credit check results didn't record any recent defaults or county court judgments, it did show that Mr G had six credit card accounts which were all being operated close to the limits. Two new credit card accounts had been opened within six months of the Lendable loan application and a further credit card account was opened shortly before that. Mr G utilised these accounts close to their limits shortly after opening them. Also his longer running credit card accounts showed he had remained close to his limit for several months. Mr G's total revolving credit balance was around £13,081 and given his credit card exposure had increased in recent months I think this could have raised concerns that he was becoming increasingly dependent on debt. Additional to this, Mr G's credit report showed he had a payment status of '3' or worse on a secured loan account in the previous 24 months. Therefore, I think it would have been reasonable for Lendable to carry out further checks to ensure it had a clear understanding of Mr G's specific financial circumstances before the loan was provided.

Lendable wasn't required to obtain copies of Mr G's bank statements but as I think it should have carried out further checks, I have used the information in Mr G's bank statements for the three months leading up to his application to assess what would likely have been identified had further checks taken place.

Mr G's bank statements show his average monthly income leading up to his Lendable application was around £2,063, which is in line with his declared and validated income. I note Lendable's comments about receipts from individuals but having looked through the statements, Mr G was also making payments to these individuals and he didn't appear to get a significant net benefit from this. There were some notable deposits into the account, but these weren't regular, and Mr G has explained that these were loans for a kitchen. Based on the information received, I think using a monthly income figure of £2,063 is reasonable.

Mr G made payments towards his credit card accounts averaging around £670 a month. This amount is similar to the amount that would be calculated based on 5% payments on his outstanding credit card balances of around £13,081. Additional to this Mr G was paying account fees, token payments towards historically defaulted accounts and regular payments

to another credit commitment. Taking this all into account gave average monthly credit commitment payments of around £980, before the Lendable loan.

Additional to Mr G's credit commitments, he was making payments for insurances, housing costs, a phone and general living costs such as food and fuel. These payments averaged around £980 a month. This meant Mr G's total monthly expenses were around £1,960 a month leaving around £100 disposable income before the Lendable loan repayments. As this wasn't enough to cover the Lendable repayments, I do not think that this loan should have been considered as sustainably affordable for Mr G.

I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether its relationship with Mr G 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 Mr G 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

As I don't think Lendable ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr G should pay back the amount he has borrowed. Therefore, Lendable should:

- Add up the total repayments Mr G has made and deduct these from the total amount of money Mr G received.
- a) If this results in Mr G having paid more than 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). Lendable should also remove all adverse information regarding this account from Mr G's credit file.
- b) If any capital balance remains outstanding, then Lendable should arrange an affordable and suitable payment plan with Mr G. Once Mr G has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

If the debt has been sold to a third party, Lendable should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr G a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that Lendable Ltd should take the actions set out above in resolution of this complaint.

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

Jane Archer
Ombudsman