

## **The complaint**

Mr H complains that Lendable Ltd failed to check sufficiently whether he could sustain repayments before they agreed to lend to him.

## **What happened**

In May 2024 Mr H entered into A Fixed Sum Loan agreement with Lendable for £5,000. After interest fees and charges were applied Mr H needed to pay back £6,884.66. This was repayable over 48 months at £143.36 a month with a final monthly payment of £146.54. Mr H said from the start of the agreement he couldn't make any repayments and has since entered into a payment plan with Lendable. Mr H said had Lendable properly checked they would have seen he was financially vulnerable because of gambling activity. He complained to them.

Lendable said they'd checked Mr H's credit history about his active and closed accounts. They said they verified his monthly income and after his credit commitments were deducted said he'd sufficient income remaining for any non-discretionary spending. Mr H's credit file didn't show any signs of financial vulnerability. They said Mr H was looking to consolidate his existing debt with the loan. So based on this and their checks they said they'd made a fair lending decision.

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

Our investigator said Lendable hadn't done enough to check Mr H's outgoings. And if they had they would have seen he was financially vulnerable. To put things right he asked Lendable to:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied. If the rework results in a credit balance, this should be refunded to Mr H along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- Remove all adverse information regarding this account from Mr H's credit file. Or,
- if after the rework there is still an outstanding balance, they should arrange an affordable repayment plan with Mr H for the remaining amount. Once Mr H has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

Lendable disagreed 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. I'll explain why.

We've set out our approach to unaffordable and irresponsible lending complaints on our

website – including the relevant rules, guidance, good industry practice and law. And this is what I've considered when deciding Mr H's 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 whether the loan should have been approved had the checks taken place.

There's no set list for what reasonable and proportionate checks are. But CONC 5.2A.20R 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 customer's financial situation. This means Lendable in lending to Mr H are 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 H. 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 H.

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.

The loan Mr H applied for was for £5,000 over 48 months. Lendable said they confirmed through the data supplied by the credit bureau that his monthly income was £2,333. Lendable said they consider debt against income and had reviewed Mr H's credit history, which showed he was managing his finances well. But I can see from Mr H's credit file that Lendable have given to us, that he'd two unsecured loans one for £15,000 from 2022 and another that he'd recently taken out around March 2024 for £5,000. He also had two credit cards. Although the balance of both was within Mr H's credit limit, I can see that he'd the credit limit increased for one from £1,250 to £5,000 in January 2024. Mr H's credit file also shows he'd around £1,650 in cash advances, a high cost form of borrowing, in the preceding 12 months. So, I think while Mr H appeared to be managing his accounts there were signs of financial need and vulnerability which I think needed further investigation.

I don't think, based on what Lendable had available that I can fairly say that Lendable saw enough to reasonably be satisfied that Mr H was going to be able to make the repayments for this loan in a sustainable way. I acknowledge that Lendable disagrees – as they've said their checks were proportionate and gave them a good understanding of Mr H's income, outgoings and disposable income to agree to lend this loan. But given the recent type and increases in Mr H's borrowing I think Lendable should have done more to verify his financial circumstances. So, I've looked at what I think proportionate checks would likely have shown.

Mr H has provided us with his bank statements into which his monthly salary is paid to show his financial circumstances at the time he applied for the loan. As I outlined above there isn't a set list of checks for a lender so I'm not saying Lendable had to obtain Mr H's bank statements. But I think it's perfectly fair, reasonable and proportionate to place considerable

weight on these as they should provide a more accurate picture of his financial situation. I've looked at the three months prior to Mr H's loan with Lendable.

The first of these months, February 2024 Mr H was managing his account well, there weren't any signs of financial vulnerability such as unpaid direct debits or use of any overdraft facility. But in March 2024 when he took out a loan for £5,000 his spending pattern changed significantly with numerous betting site transactions that amounted to more than the £5,000, he'd borrowed around £5,230. This resulted in Mr H being overdrawn by around £2,000 by mid-April 2024. I can see from Mr H's bank statement that he continued his gambling activity from then on so that at the time of his loan with Lendable his overdraft usage had increased to around £4,000. Mr H had an arranged overdraft facility of £5,000.

Payments to betting sites wouldn't necessarily be a trigger particularly if there is a regular income into the account and its being managed within its limits. But the frequency, amounts and the financial impact I think show Mr H's gambling activity was of a compulsive nature. I think had Lendable checked further into Mr H's financial situation I don't think they would have lent to him. I say this as I think this evidence indicates that Mr H was going through a difficult time when it came to his gambling habit and shows why the loan shouldn't have been approved as it added a further financial burden to Mr H as well as providing funds to further his gambling compulsion.

I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr H 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 H 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**

Putting things right when it comes to complaints about irresponsible lending isn't straightforward. Mr H had use of the funds albeit for gambling activity. While it's clear the loan helped fuel Mr H's gambling; he did have some winnings paid into his account which were comparative to the amount he spent on gambling transactions. With that in mind, I can't safely conclude that it would be fair or reasonable to direct Lendable to write off the loan when I take everything into consideration.

When we consider borrowing shouldn't have been approved, we would normally ask a business to refund all interest and charges, agree an affordable repayment plan for any outstanding balance, and remove any negatives markers (related to the borrowing) from the customer's credit file once the debt is repaid.

### **My final decision**

I uphold this complaint. And ask Lendable Ltd to:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied. If the rework results in a credit balance, this should be refunded to Mr H along with \*8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- Remove all adverse information regarding this account from Mr H's credit file. Or,
- if after the rework there is still an outstanding balance, they should arrange an affordable repayment plan with Mr H for the remaining amount. Once Mr H has cleared the balance, any adverse information in relation to the account should be

removed from their credit file.

\*HM Revenue & Customs requires Lendable Ltd to take off tax from this interest. Lendable Ltd must give Mr H a certificate showing how much tax they've taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 June 2025.

Anne Scarr  
**Ombudsman**