

## **The complaint**

Mr K complains that Lendable Ltd was irresponsible in its lending to him. He wants all interest refunded and any adverse information regarding the lending removed from his credit file.

## **What happened**

Lendable provided Mr K with a £1,000 loan in July 2022. The loan term was 24 months and Mr K was required to make 23 monthly repayments of £61.40 followed by a final repayment of £63.23.

Mr K said that he had been in financial difficulties and had become trapped in a cycle of debt. He said that the Lendable loan had a high rate of interest which made his situation worse. He didn't think that Lendable should have considered the lending responsible given his high level of debt.

Lendable issued a final response to Mr K's complaint dated 23 October 2024. It said that Mr K applied for the loan through a third-party platform and explained that the platform undertook preliminary checks before a full check was carried out by Lendable. It said the checks showed that Mr K had total outstanding balances (excluding mortgage debt) of approximately £25,963. It noted he had a history of short-term lending but said there were no records of missed payments or county court judgements. It said Mr K's declared income was verified and a monthly income of £4,573 was identified. Lendable said that based on its checks, there were no reasons not to provide the loan.

Mr K referred his complaint to this service.

Our investigator said that while Mr K seemed to be managing his accounts well, there were several payday loans and a credit card that had been in arrears in the 12 months leading up to the application. She thought this should have prompted Lendable to ask for information about Mr K's non-discretionary expenditure. Given this she didn't think that Lendable carried out reasonable and proportionate checks prior to approving the lending.

Our investigator then considered what reasonable checks would likely have identified and found that they would have shown the lending to be unsustainable for Mr K. Therefore, she upheld this complaint.

Lendable didn't respond to our investigator's view and so, as an outcome 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.

Mr K was provided with a £1,000 loan with 23 monthly repayments of £61.40 and a final repayment of £63.23. Before the loan was provided, Mr K provided details of his employment, income, residential status and the purpose of the loan. Mr K's declared income was checked using a credit reference agency tool and a credit check was undertaken. Given the size of the loan and repayments compared to Mr K's income, these checks could have been reasonable. However, having looked through the credit check this showed that Mr K had opened seven new accounts within the previous six months and the results showed he was making frequent use of short-term loans. So, while the credit check didn't record any defaults, county court judgments or other major concerns about how Mr K was managing his commitments, I think it did suggest that he might be reliant on debt, taking out new loans to repay existing debt. Given this I think that further checks should have been undertaken to ensure that Lendable had a clear understanding of Mr K's financial circumstances before lending.

Mr K's declared monthly net income of £5,211 was checked using a credit reference agency tool and a figure of £4,573 was identified. Mr K had given Lendable access to his open banking data and so it had details of his transactions for the three months prior to the lending. I have looked through this and this supports the £4,573 income figure. Mr K was paying £3,200 for his mortgage and contribution towards bills and a further £18 for media contracts. He was also paying for his other general living costs. His credit commitments each month varied given his use of short-term loans but considering the payments made towards these in June 2022 and those recorded on the first day of July 2022 (as seen in the open banking data) these exceeded £1,400. Deducting this and his £3,220 for his mortgage, bills and media contracts from Mr K's income figure would not leave sufficient money for him to be able to sustainably afford his Lendable loan repayments (this is before including any general living costs).

So, while I accept that the loan repayments were relatively small, given his reliance on short term loans I think further questions should have been asked. Had these happened, I think that Lendable would have realised that providing Mr K with further credit wasn't responsible. Therefore, I am upholding this complaint.

I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr K has complained about, including whether its relationship with him 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 K 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 K should pay back the amounts he has borrowed, and I understand that Mr K has repaid the loan. Therefore, Lendable should:

- Add up the total repayments Mr K has made and deduct these from the total amount of money Mr K received.

- Based on the loan statement provided, Mr K has paid more than he received, so 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 K's credit file.

\*HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr K 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 K to accept or reject my decision before 12 June 2025.

Jane Archer  
**Ombudsman**