

## **The complaint**

Miss S is complaining that Lendable Ltd lent to her irresponsibly by providing her with two personal loans.

## **What happened**

In January 2023, Lendable approved Miss S's application for a £1,280 loan. The agreement required her to make 12 monthly repayments of around £130 each.

In January 2024, Lendable approved a further loan application for Miss S. This one was for £1,500 and the loan agreement required Miss S to make 18 monthly repayments of around £98.

Miss S made all her payments for the first loan on time and continued to do so under the second loan agreement, before settling it early in December 2024. But she then complained to Lendable that the lending was unaffordable. She said they hadn't done enough to check her financial background or personal situation, and she said she had a history of missed payments and defaults on her credit file. She also said she'd been struggling with her mental health at the time of the second lending decision.

Lendable responded, saying they were satisfied they'd done enough checks and hadn't found any circumstances that should have prevented them from lending to Miss S.

Miss S wasn't happy with Lendable's response so brought her complaint to our service. In doing so, she said at the time of both loans she'd been living in her overdraft for an extended period which should have indicated that she was living beyond her means and couldn't afford to take on a loan. She added that her credit report showed a default and numerous missed payments dating back to 2019. She added that at the time of the second loan she'd been signed off work due to anxiety and this had impacted her financial stability. Miss S also said she didn't think Lendable had done the checks they said they had – she didn't recall having provided payslips or bank statements to them.

One of our investigators looked into Miss S's complaint. He didn't think Lendable should have approved the first loan but thought they had acted fairly in approving the second loan. Our investigator said Lendable should refund all interest and charges relating to the first loan.

Miss S accepted our investigator's view but Lendable didn't. They said Miss S's credit file showed she was making payments against the default balance. And they said that although there were arrears on a credit card, Miss S had told them that the purpose of this first loan was debt consolidation so it was reasonable to believe she would use it to reduce her overall debts. Lendable also noted that the credit report they obtained for the second loan suggested she had used the loan for its stated purpose. Lendable asked for an ombudsman to review the complaint – and it's come to me.

## **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 partially upholding Miss S's complaint, for broadly the same reasons as our investigator. I'll explain more below.

### *What's required of lenders?*

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

### *Loan 1 - £1,280 over 12 months*

Miss S's application for the first loan shows her stated net monthly income was £1,627. It also says the purpose of the loan was consolidation.

Lendable verified Miss S's income using an automated check which is carried out by a credit reference agency (CRA). This gave them high confidence that Miss S's income was at least as high as she'd said. In relation to expenditure, Lendable used statistical data to estimate Miss S's accommodation and essential living expenses. And they estimated her ongoing credit commitments by looking at her credit report and factoring in the stated purpose of debt consolidation. Having done all this, they calculated that she'd likely have around £150 per month in disposable income.

Lendable also obtained Miss S's open banking data – but they haven't said what they did with this.

The credit report Lendable obtained showed Miss S had total debts of around £5,000. These were made up of:

- a hire purchase agreement with a balance of £3,683, defaulted July 2022, no change in the balance since August 2022.
- three credit cards that were being managed well, with a total balance of around £700. Miss S was paying around £20 per month in total to these two creditors.
- two credit cards that were overlimit and had had significant arrears in the preceding eight months. The total balance on these two cards was around £560.

So, Miss S's credit file shows that she was likely in financial difficulties at the time she applied to Lendable. The default was only six months prior to her application to Lendable and appears to have been in relation to a car, which I'd normally consider a priority bill. She was only making regular payments of around £20 per month to her existing creditors. And the level of missed payments shown suggests she was close to defaulting on two of her credit cards. On that basis, I'm not satisfied Lendable made a fair decision to lend to Miss S.

I can understand Lendable's position that the purpose of this loan was debt consolidation. But that doesn't make it acceptable to lend to someone in financial difficulties. At the time, Miss S wasn't paying anything towards her hire purchase agreement and wasn't making regular payments for some of her credit cards. This loan would mean Miss S committing to a £130 per month payment when she had only regularly been paying around £20 a month to her creditors prior to this. On balance, then, I'm not persuaded Lendable acted fairly in approving this loan for Miss S.

#### *Loan 2 - £1,500 over 18 months*

Miss S's application for the second loan shows her stated net monthly income was £1,889. It also says the purpose of the loan was to buy a car.

Lendable again verified Miss S's income using an automated tool from a CRA, calculated the amounts she'd have to pay to creditors each month from her credit file, and estimated her essential spending using statistical data. This time, they estimated her disposable income after making the repayments needed on this new loan would be around £180 per month.

CONC allows firms to use statistical data to estimate a prospective borrower's likely expenditure, unless they ought to be aware that the individual's cost of living is likely to be significantly higher than average.

By the time of Miss S's second application to Lendable, her credit file had improved significantly. Her default had now been satisfied, she had no recent missed payments or arrears, and her total debts were only around £1,350. Miss S had recently taken out another loan, but this was for £1,000, and her application to Lendable was for £1,500. So, given the sums involved, I wouldn't have expected this to cause concern.

In summary, I haven't seen any indications that Miss S's essential spending might have been higher than average. So, I'm satisfied it was reasonable for Lendable to rely on statistical data when estimating Miss S's cost of living. And, given the relatively low repayments needed, Miss S's perfect repayment history with Lendable, the significantly improved state of her credit file and the disposable income Lendable calculated, I'm satisfied they carried out enough checks and made a fair lending decision in the circumstances.

#### *Have Lendable acted unfairly in any other way?*

I appreciate Miss S was off work with poor mental health around the time of her application to Lendable. The evidence she's provided shows she was signed off from the day following the loan being approved. She's also provided bank statements that suggest she received a salary as usual in December 2023 and January 2024. So, Miss S's poor health hadn't impacted her income at that point and that might explain why Lendable were still able to verify her stated income. I've seen no evidence that Miss S told Lendable about her poor health, and there's no general requirement that a firm asks an applicant about their health – so I can't say Lendable should have been aware of this. It follows that I'm not persuaded Miss S's health should have impacted Lendable's decision to lend to her.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

I've also considered whether the relationship between Lendable and Miss S might be considered unfair under s.140 of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm directing below results in fair compensation for Miss S in the circumstances of

her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

As Lendable shouldn't have approved the first loan in January 2023, it's not fair that Miss S pay any interest or charges for that additional borrowing. She did have use of the funds she was lent, so it's fair she repays them. And it's fair that she pays the interest and charges on the second loan.

To settle Miss S's complaint, then, Lendable should:

- Rework the first loan account, removing all interest and other charges that have been applied; and
- Refund the resulting credit balance to Miss S along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement.

\*HM Revenue & Customs require Lendable to deduct tax from any award of interest. They must give Miss S a certificate showing how much tax has been taken off if she asks for one.

### **My final decision**

As I've explained above, I'm upholding Miss S's complaint. Lendable Ltd need to take the steps I've outlined above to resolve the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 26 November 2025.

Clare King  
**Ombudsman**