

The complaint

Miss P complains Lendwise Ltd brought about an unaffordable loan for her, and didn't provide forbearance when she made it aware of financial difficulties.

What happened

Lendwise arranged a loan for Miss P in August 2020 through its peer to peer (P2P) lending platform. The loan had a capital value of £7,000 and was repayable at around £145 a month across 71 instalments, with one final lower payment. The loan had a fee of £250 and a total repayable value of around £10,300.

Miss P raised multiple concerns with Lendwise in July 2024. In summary she said Lendwise's checks ought reasonably to have led to it concluding this lending wasn't sustainably affordable for her. Miss P also complained about the forbearance and support Lendwise had provided when she made it aware of financial difficulties.

Lendwise didn't uphold Miss P's complaint. It said it had completed proportionate checks and had gone on to fairly bring about this loan. It also referred to a previous complaint Miss P had raised in 2022 about financial difficulties and forbearance, and directed Miss P to the final response it had provided in 2022.

Our investigator didn't uphold Miss P's complaint. She concluded Lendwise had completed proportionate checks and had gone on to make a fair lending decision when arranging this loan. Miss P didn't agree and asked for an ombudsman's review, so the complaint was passed to me to decide.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my provisional decision:

"We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. Both Miss P and Lendwise have been made aware of this approach in our investigator's view.

At the time Lendwise arranged this loan for Miss P it was required to carry out proportionate checks. These checks needed to assess Miss P's ability to afford the loans being arranged and repay them sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't sufficient for Lendwise to just complete proportionate checks – it must also consider the information it obtained from these checks to go on and make a fair lending decision when arranging this loan. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

I've followed this approach when considering Miss P's complaint.

The affordability of the loan

Before arranging this loan for Miss P Lendwise completed an income check, validating Miss P's income by way of reviewing a recent payslip. It also obtained bank statements from Miss P covering the period before the lending application, and completed a credit check to identify Miss P's existing lines of credit and management of current and recent credit accounts. Lendwise says it completed proportionate checks; and based on the information it obtained it went on to fairly bring about this loan.

I've carefully considered Lendwise's arguments; and having done so I'm not currently persuaded by them.

I consider the checks Lendwise undertook were proportionate to the terms of lending it was providing. I say this because through the information it obtained it verified every aspect of Miss P's financial details: her income through a payslip and bank statements, her non-discretionary expenditure and monthly payments to credit commitments through her bank statements, and her recent and active debt and the management of this debt through the credit check that it completed and the credit report Miss P provided it. However, I can't agree that it went on to fairly arrange this loan based on the information it obtained from these checks.

I say this because I consider Lendwise obtained information which showed Miss P was already overindebted and experiencing financial distress, and it ought reasonably to have concluded Miss P wouldn't be able to sustainably afford this loan.

The payslip Lendwise received dated 3 April 2020 showed Miss P's pay was around £520. £320 of this amount is shown as 'SMP', which put Lendwise on notice that Miss P was in a period of maternity leave and therefore likely on a reduced wage. More concerning is an amount of around £130 which is detailed as 'Lay Off', suggesting Miss P's job was coming to, or had come to, an end with that employer.

Lendwise also obtained bank statements from Miss P from two separate accounts. Miss P also appears to be in receipt of universal credit, which is evident within one of the statements, bolstering her income.

However, taking the details from within the statements, they show that both accounts are run to very tight budgets. There are multiple transfers in and out of the accounts on a daily basis, suggesting Miss P was trying to manage her finances between accounts, and that on a strictly pounds and pence basis Miss P was stretched to her limit. One account without an overdraft facility regularly has a balance in the low tens of pounds, if not less; and the other account with a £1,000 limit at the time of these statements had a balance regularly in excess of £850 overdrawn, and at times went over £990 overdrawn.

Within some of these statements are credits from short term high-cost lenders, showing Miss P was already needing to supplement her income with short term lending on a monthly basis in order to manage her finances and make ends meet.

Lendwise completed a credit check on Miss P and asked her to provide it with her full credit report. I can't access the full report Miss P provided Lendwise, but I consider I can reach a reasonable outcome without it. I say this because the credit check Lendwise obtained showed:

- There were active arrears on one account and recent arrears on another account within around six months of this lending decision.
- Miss P was at or above her relatively modest limits on five of her six revolving credit accounts.
- The £1,000 overdraft limit on her bank account was regularly being utilised above 95% of its limit; and there were two instances of it going over the limit within eight months of this lending decision.
- Miss P had opened 11 new credit accounts within 12 months of this lending decision; eight of these within six months, strongly suggesting a more recent higher reliance on credit.
- Within these recently opened accounts six were short-term high-cost credit accounts, and Miss P had consistently taken out short-term products in the months leading up to this lending decision.

I consider Miss P's clear increased dependence on credit, especially short-term high-cost credit in the months leading up to this lending, as well as the other information Lendwise obtained ought reasonably to have led to it concluding Miss P was an individual who was already overindebted and already showing signs of financial difficulty.

By arranging this loan Lendwise was increasing Miss P's liability by around a further £10,300, and her monthly commitment to credit by around a further £145. But the evidence Lendwise obtained showed Miss P wasn't able to manage her current financial position and credit obligations, let alone a further commitment.

So, I'm currently persuaded, based on the evidence Lendwise obtained, that it had enough information to reasonably conclude further lending wasn't sustainably affordable for Miss P without causing her further financial difficulties and harm; and it therefore follows I don't consider it made a fair lending decision when bringing about this loan.

Did Lendwise act unfairly or unreasonably in any other way?

Miss P has said Lendwise hasn't treated her fairly since she made it aware of financial difficulties and a change in her personal circumstances.

Lendwise has said it has provided Miss P with forbearance when it became aware of a change in her circumstances, and that it has agreed to a number of reduced payments and payment arrangements; although some of these were broken because Miss P wasn't able to maintain payments in line with the agreements.

I've seen Miss P raised a complaint with Lendwise in 2022 about its handling of her account and repayment of the outstanding debt. This included Miss P making it aware of a change in her financial and personal circumstances, harassment from Lendwise in it looking to collect the outstanding debt, and that she felt forced to obtain the services of a debt charity to help her financial position.

Lendwise issued a final response by email in November 2022. This valid final response provided Miss P with referral rights to our service, but said it wouldn't consent to us considering the complaint if it was referred late.

When considering whether I can review a complaint I must follow the Dispute Resolution: Complaints (DISP) rules, details of which can be found online within the Financial Conduct Authority (FCA) Handbook.

DISP 2.8.2R (1) sets out that an ombudsman can't consider a complaint referred to our service more than six months after the final response was sent unless: the complainant has some acknowledgement of the complaint having been received, or the ombudsman considers there to be exceptional circumstances for the delay.

Having reviewed our systems I can't see any record of Miss P referring her complaint from 2022 to our service. And I've also seen she continued to engage with Lendwise after the final response was provided, suggesting there weren't any exceptional circumstances preventing her from also contacting our service.

So, I don't consider I'm able to review any of the events Miss P complains of which were addressed by Lendwise's final response dated November 2022.

I've seen Miss P entered a new payment arrangement with Lendwise following the complaint, and is continuing to make payments towards the account. I've seen Lendwise has continued to correspond with Miss P since November 2022, including sending Notice of Sums in Arrears letters.

Lendwise has regulatory obligations it must follow when keeping a customer updated about the status of their account, especially when an account is in an arrears position. I also don't consider it unreasonable that Lendwise would look to contact Miss P to keep her updated with other details of the account, or ensure payments will continue to be made.

So, based on the evidence currently available to me that I can consider from November 2022 onwards, I haven't seen anything which leads me to conclude Lendwise has acted unreasonably in its dealings with Miss P about the management of the loan."

Miss P accepted my provisional decision without providing further comment; Lendwise didn't accept it and provided further information for my consideration. In summary it said:

- It undertook a thorough review of Miss P's financial circumstances before arranging this loan.
- It considers the information it obtained didn't show Miss P was experiencing financial difficulties.
- It reduced the capital value it was prepared to arrange for Miss P based on the information it obtained through its checks.
- Miss P is actively making payments to the loan and reducing the arrears balance.
- The purpose of the loan enabled Miss P to complete studies which has directly supported her in pursuing a career in her chosen field.
- Due to the way Lendwise's P2P model operates, it isn't possible to reverse interest already applied to an account and disbursed directly to the individual lenders behind each loan.

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've not been presented with any new information or evidence which leads me to conclude I should depart from the findings reached within my recent provisional decision.

I say this because I'm still persuaded Lendwise had obtained information which ought reasonably to have led to it concluding that any lending wasn't sustainably affordable for Miss P, no matter the value, purpose, or rate that it attracted.

Lendwise has said it doesn't consider Miss P was showing signs of financial difficulties. I set out within my provisional decision the signs of financial difficulties I had identified through the checks Lendwise had completed. This included Miss P's increased reliance and dependence on credit, especially short-term high-cost credit, within the months leading up to this loan. It had also identified through its checks that Miss P had recent and active arrears on accounts, with it stipulating the active arrears needed to be repaid before it would agree to arrange the loan. Given the information it obtained I can't agree with Lendwise's conclusion that Miss P wasn't showing signs of financial difficulties.

While Miss P is currently making repayments to the loan and reducing the arrears balance, this in itself isn't confirmation that the loan is sustainably affordable for her. And in any event, my review here focuses on Lendwise's decision to arrange this loan for Miss P, rather than her repayment record after the event. I would state however that while Miss P is currently making repayments to the loan and reducing the arrears balance, there was a long period where Miss P wasn't able to maintain payments to the loan in line with the agreement.

I accept Miss P may now be in a better financial position, due to changes in her personal circumstances; but as I've found above that isn't relevant to the event of Lendwise bringing about the loan which is what I'm considering here.

Lendwise has said its operating model doesn't provide for a refund of interest. Ultimately it needs to ensure Miss P is placed back in the position she would have been in, as best as possible, had this loan not been arranged. So, if Lendwise can't refund interest applied to the account, or any fees or charges, it will need to reduce Miss P's outstanding balance to reflect my decision that she should only repay Lendwise a total of £7,000, that being the capital value it arranged for her.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Miss P in the circumstances of her complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

So, for the reasons set out in my provisional decision and above, I'm satisfied Lendwise didn't act fairly when arranging this loan for Miss P; and it therefore follows it needs to take action to fairly resolve this complaint.

Putting things right

As I don't think Lendwise ought to have arranged this loan, I don't think it's fair for it to be able to apply any interest, fees or charges under the agreement. But I think Miss P should pay back the capital amount she's borrowed. Therefore, I'm directing Lendwise to take the following action to fairly resolve this complaint:

- Add up the total repayments Miss P has made and deduct these from the total amount of money she received.

AND

- If this results in Miss P having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). If Lendwise can't refund these overpayments it will need to make a one-off payment to her for the equivalent value. † Lendwise should

also remove all adverse information regarding this account from Miss P's credit file.
OR

- If any capital balance remains outstanding, then Lendwise should arrange an affordable and suitable payment plan with Miss P. Once the total outstanding balance is repaid, Lendwise should remove any adverse information reported to Miss P's credit file about this account.

† HM Revenue & Customs requires Lendwise to take off tax from this interest. It must give Miss P a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I'm upholding Miss P's complaint about Lendwise Ltd and I direct it to take the above action in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 25 June 2025.

Richard Turner
Ombudsman