DRN-5612418

The complaint

Mr B says Lendable Ltd irresponsibly lent to him.

What happened

Mr B took out two loans from Lendable. The first, in July 2021, was for £5,225 (including the loan fee) over 18 months. The monthly repayments were £327.21. Mr B settled this loan early in November 2021. The second, in May 2022, was for £4,435 (including the loan fee) over 30 months. The monthly repayments were £209.31.

Mr B says it took out these loans to consolidate debts, but they actually left him in a worse position. They did not cover his existing debt leaving him juggling multiple debts and feeling very stressed. This has impacted his mental health.

Lendable says it carried out proportionate checks that showed the loans would be affordable for Mr B.

Our investigator upheld Mr B's complaint in part with regards to loan 2 saying the lender's checks were not proportionate, and better checks would have shown Mr B would most likely not be able to sustainably repay the loan.

Lendable disagreed and asked for an ombudsman's review. It said the lending decision in May 2022 was fair. As the purpose of the loan was consolidation it feels this loan would have reduced Mr B's existing credit commitments.

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 approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Lendable lent to Mr B required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Lendable had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr B. In other words, it wasn't enough for Lendable to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Mr B.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Lendable did what it needed to before agreeing to lend to Mr B. So to reach my conclusion I have considered the following questions:

- did Lendable complete reasonable and proportionate checks when assessing Mr B's loan applications to satisfy itself that he would be able to repay the loans in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Lendable make fair lending decisions?
- did Lendable act unfairly or unreasonably in some other way?

I can see Lendable asked for some information from Mr B before it approved the loans. It asked for details of his monthly income and verified this with a third-party source. It asked about his housing costs. It checked Mr B's credit file to understand his credit history and current commitments. It asked about the purpose of the loans. From these checks combined Lendable concluded Mr B had enough monthly disposable income to afford to repay the loans and cover his living expenses.

Loan 1

I think Lendable's checks were proportionate given the stage in the lending relationship, and I think it made a fair lending decision. I'll explain why.

Mr B declared he was self-employed and had a net monthly income of £1,323 and had no housing costs. It successfully verified his income externally with its check suggesting it was understated. Lendable calculated even if Mr B didn't settle any of his existing debts, he would have £885 remaining to cover his living costs. The credit check showed Mr B had £8,724 of existing debt and was up-to-date on all his accounts; not over or close to his credit limits; and not using an overdraft facility. There were no defaults, CCJs or other adverse public records on his file.

So, in the round, I think it was fair for Lendable to give loan 1 to Mr B.

Loan 2

I don't think the same checks were proportionate when Mr B returned to Lendable and applied for a second loan for debt consolidation. Mr B had borrowed £5,000 to repay debts less than a year before yet the credit check showed his debts had only fallen by £1,239 suggesting the consolidation had failed. Its income verification check also did not show the same level of confidence as at the time of loan 1. So I think Lendable needed to complete a fuller financial review before extending a second loan (over a longer term) to Mr B. It needed to know its loan wouldn't cause financial detriment to Mr B and I don't think its initial checks gave these assurances.

In cases like this we look at bank statements for the three months prior to application. I am not saying Lendable had to do exactly this, but it is a reliable way for me to recreate what better checks would have most likely shown Lendable.

Mr B was self-employed and I can see his monthly income was variable, ranging from £630 to £850 from February to April 2022. His monthly fixed outgoing were more stable, ranging from £423 to £462. This means there were some months when he would not have the income needed to make the repayments sustainably.

I have through carefully about the fact the loan purpose was debt consolidation. But Mr B had applied for a loan for this reason in July 2021 and yet was returning for the same reason ten months later. I can't see Lendable knew which debts Mr B intended to settle and I don't think it was enough to rely on a high-level statement of intent in these circumstances. Mr B had a number of revolving credit lines which even if he cleared down with this loan – noting it was not enough to clear all his debt – could be available to reuse. So I think there was a risk this loan could cause financial harm to Mr B.

The investigator and Lendable discussed whether Mr B had additional income but I cannot see there was another regular source that supplemented his self-employment.

It follows I think Lendable was wrong to give loan 2 to Mr B.

I've also considered whether the relationship have been unfair under Section140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr B 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 for loan 2

I think it is fair and reasonable for Mr B to have repaid the capital amount that he borrowed but he has paid extra for lending that should not have been provided to him so Lendable needs to put that right.

It should:

- Remove all interest, fees and charges on the loan and treat all the payments Mr B made as payments towards the capital.
- If reworking Mr B's loan account results in him having effectively made payments above the original capital borrowed, then Lendable should refund these
- overpayments with 8% simple interest calculated on the overpayments, from
- the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr B's loan account result in there being an outstanding capital balance Lendable should agree an affordable repayment plan with Mr B.
- Remove any adverse information recorded on Mr B's credit file in relation to the loan once any outstanding capital balance has been repaid.

*HM Revenue & Customs requires Lendable to deduct tax from this interest. Lendable should give Mr B a certificate showing how much tax it's deducted if he asks for one.

My final decision

I am upholding Mr B’s complaint in part. Lendable Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 6 October 2025.

Rebecca Connelley
Ombudsman