The complaint

Mr W has complained through a representative that Lendable Ltd trading as Autolend ("Lendable") gave him loans which he couldn't afford to repay.

What happened

A summary of Mr W's loans can be found below.

loan number	loan amount	total to pay	APR	start date	number of monthly payments	monthly repayment amount
1	£4,765*	£6,532.11	29.3%	23/03/2022	36	£181.25
2	£5,295*	£7,659.97	34.92%	09/12/2022	36	£213.15

*These amounts include the loan fees added to the capital.

As of October 2024, outstanding balances remain on both loans.

After Mr W's affordability complaint was made, Lendable gave reasons why it wasn't going to uphold the complaint as it thought it had made a fair lending decisions.

After the complaint was referred to the Financial Ombudsman an Investigator concluded the complaint should be upheld in full. They said further checks were needed because of concerning credit file data Lendable received. Had further checks been carried out then it would've seen Mr W was using his overdraft and so the loan payments weren't sustainable for Mr W.

Mr W accepted the outcome. Lendable didn't and gave reasons. These comments didn't change the investigator's mind and as no agreement could be reached the complaint has been passed to me to decide.

I then issued a provisional decision explaining the reasons why I was intending to uphold Mr W's complaint about loan two only. Both parties were told any further submissions needed to have been received by 26 June 2025.

Lendable responded and said it agreed with the provisional decision. We didn't hear from either Mr W or his representative.

A copy of the background to the complaint and my provisional findings follows this and forms part of this final decision.

What I said in my provisional decision:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

The rules and regulations in place required Lendable to carry out a reasonable and proportionate assessment of Mr W's ability to make the repayments under the loan agreements. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Lendable had to think about whether repaying the loans would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn't cause Mr W undue difficulty or significant adverse consequences. That means he should have been able to meet the repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

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 loan repayments on Mr W.

Checks also had to be proportionate to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of Mr W (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

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

- *the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);*
- *the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);*
- *the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).*

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint. Having looked at everything I have decided to conclude the checks were proportionate and the repayment for loan one looked affordable but Lendable ought not to have granted loan two. I have therefore partly upheld Mr W's complaint and I've explained why below.

<u>Loan 1</u>

Mr W declared he worked full time and earned £4,107 per month. But Lendable didn't just rely on what Mr W had declared, it took steps, using a tool provided by a credit reference agency to cross check the information Mr W had provided. Lendable was told that Mr W's income was more likely around £4,050 per month and it was this lower figure it used for the affordability assessment. For a first loan, I consider the check conducted by Lendable to be reasonable and proportionate.

Lendable, as part of its affordability assessment carried out a credit search and it has provided the Financial Ombudsman with the results it received from the credit reference agency. Lendable was told Mr W had around £28,056 of existing unsecured credit commitments – although about half of this debt related to a recently opened hire purchase agreement. This debt was owed to 19 creditors, and he had only opened one other account within the last six months.

However, there had been a couple of missed payments within the last eight months on a credit card and a loan account. But other than these, Lendable was also told that there were no defaults, delinquent accounts, any forms of insolvency or any County Court Judgements (CCJ). This would've *indicated to Lendable that Mr W hadn't previously and wasn't currently having problems managing all of his commitments.*

Lendable also knew that Mr W had a current account – and that according to the credit search results was utilising around £2,666 of the £5,000 overdraft limit. It knew that Mr W was using an overdraft but wasn't according to the credit search results using the full amount of this. I don't think an overdraft on its own is sufficient to say the agreement wasn't affordable, especially when Mr W's salary would've been sufficient to bring the current account into credit each month – based on the information contained within the credit search results.

Bar the recent missed payments he wasn't showing any signs of struggling to repay the other debt that he had – and I also have to consider that Lendable will typically lend to people with less then perfect credit history. This is just a feature of the marketplace but still nonetheless I've had to think carefully whether this would've prompted further checks.

All of Mr W's credit commitments including the mortgage, credit cards, mail order accounts, loans and hire purchase agreements were already costing him around £1,800. This would've left Mr W with, after the loan payment was taken into account more than £2,000 to pay for his other living costs – this loan appeared affordable.

An important consideration was that Lendable was told the loan was to be used for debt consolidation. It didn't look like Lendable knew exactly what debts Mr W was intending to repay or to reduce with the loan, but it was, in my view fair and reasonable for Lendable to take what Mr W and told it at face value.

While Mr W was being advanced more money, I don't think it was fair for Lendable to assume that it was increasing Mr W's indebtedness, indeed, it was more than reasonable to assume that Mr W would use the loan for its intended purpose.

Mr W has said that at the time he was in financial difficulties and I'm sorry to hear about these, but that didn't appear to have been reflected in the information he provided Lendable or what it received from the credit reference agencies.

I appreciate the investigator thought further checks were needed, but I disagree. Lendable checked Mr W's income and carried out a credit search which while showing some recent adverse information had shown that Mr W was by in large making his repayments as expected. That together, with the fact that this loan wasn't likely to increase Mr W's indebtedness means that no further checks were needed.

I am intending to not uphold Mr W's complaint about this loan.

<u>Loan 2</u>

When this loan was approved, loan one was still running so Mr W's monthly credit commitments to Lendable was increasing to £394.40 per month. Lendable, wouldn't have had concerns about granting this loan based on how Mr W had repaid loan one – up to the point this loan was granted, Mr W had made his payments as expected.

As with loan one, Lendable made enquires with Mr W about his income and then cross checked what was declared with a credit reference agency. This time, it was satisfied the £4,107 declared by Mr W was likely to be accurate.

As before, a credit search was carried out and Lendable has provided a copy of the results. I've once again reviewed these to see what Lendable was told about Mr W's finances and how he had repaid his other accounts.

Lendable was told Mr W hadn't opened any other credit accounts within the preceding six months and there were still no defaults, insolvencies or CCJs. Mr W had about the same amount of debt as he had when loan one was granted – which may have indicated Mr W had used the proceedings for loan one as intended.

But the credit search showed that Mr W had continued to have difficulties maintaining his existing credit commitments. A telecommunication account was now three months in arrears, a credit card was subject to a payment arrangement and another loan account had entered arrears in two separate periods since loan one was granted.

In addition to the credit search, Lendable says it also performed an affordability check – this took account of the credit file data above, as well as thinking about "Minimum Income Standards". It also took account of average figures that were adjusted to account of what it knew about Mr W's situation. After completing these checks, it worked out that Mr W had around £2,200 per month in disposable income – after meeting his credit commitments, his Lendable loans and meeting essential expenditure. So Lendable's checks appeared to show the loan was affordable.

But in addition to the above checks this time Mr W gave Lendable access to his current account through an Open Banking report. So, whether or not I feel that further checks were needed is irrelevant. This is because, Lendable had access to his bank statements for three months leading up to the loan being granted. I've reviewed what Lendable had access to in order to see whether it made a fair lending decision. Although, the open banking report didn't provide a running total of the account balance it did show all of the transactions Mr W had made in the current account.

Firstly, the transactions on the account show that Mr W didn't have £2,200 per month in disposable income. Having looked at just his direct debits for things like the mortgage, council tax, insurances, accounts fee and his existing credit commitments he was spending over £3,200 per month on such transactions. This excludes the overdraft fees, food, petrol, and all other living costs Mr W had as well as payments that I can see to a third party.

The third-party payments weren't counted as these were irregular in both number per month and the amount sent per month. But given they are visible through the report, its likely Mr W would send some money in the month to the third party.

So, in effect, Mr W had – at most (but likely less) under £600 per month to cover all of these extra bills once the Lendable loan was paid for. But given the payments to the third party and what I know from the credit search results that even with this amount of disposable income Mr W was still having difficulties maintaining his existing credit commitments – because a number of accounts had entered arrears and or he had struggled to pay them.

When thinking about whether a loan is affordable, Lendable needed to consider more than just whether it was pounds and pence affordable Lendable also needed to consider whether the loan was sustainable, and I really don't think it was given the amount of creditors Mr W already had, the fact he was struggling to repaying these existing creditors and Lendable, had clearly mis-calculated the disposable income from the information available.

I've concluded that had Lendable taken a closer look at the open banking report it was provided it would've decided that the loan wasn't sustainable for Mr W and not lent to him, I am therefore upholding the complaint and the second loan only.

Finally, I know Mr W is unhappy about the interest rate Lendable gave him for the loans, but my role and remit doesn't extend policing interest rates – especially at the time that the loan was provided. As far as I can see Lendable has charged the interest rate that it said it would – and that is what I'd expect it to do, and these costs are outlined in the credit agreement.

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.

In relation to loan one, I've received no further submissions from Mr W so I've come to the same conclusions that I did in the provisional decision. Which is Lendable conducted proportionate checks before it lent the first loan and it made a fair lending decision.

Lendable has accepted the findings I reached in the provisional decision in relation to loan two, so I see no reason to alter what I said. I still think, Lendable needed to have carried out further checks, and had it done so it wouldn't have lent to Mr W. I uphold Mr W's complaint about this loan.

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 have directed above results in fair compensation for Mr W 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

Lendable ought to not have granted loan two.

A. Lendable should remove all interest, fees and charges from the balance of loan two and treat any repayments made by Mr W as though they had been repayments of the principal. If this results in Mr W having made overpayments, 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 the complaint is settled.
B. If there is still an outstanding balance due for loan one then the amounts calculated in "A" can be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mr W. However if there is still an outstanding balance due for loan two then Lendable should try to agree an affordable repayment plan with Mr W
C. Lendable should remove any adverse information recorded on Mr W's credit file in relation to loan two.

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

My final decision

For the reasons I've explained above and in the provisional decision, I'm upholding Mr W's complaint in part.

Lendable Ltd trading as Autolend should put things right for Mr W as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 30 July 2025.

Robert Walker
Ombudsman