

The complaint

Mr M complains that Lendable Ltd (“Lendable”) lent to him in an irresponsible manner.

What happened

Mr M was given a single loan by Lendable in September 2018. Including fees, he borrowed a total of £12,490 that he agreed to repay in 60 monthly instalments of £283.26. Mr M made his first two repayments on time. But he was late making his third repayment. And then Mr M made no further repayments until he entered into a payment arrangement with Lendable in April 2019. Mr M then made 12 repayments of £70.52 before Lendable decided to sell his debt to a third party in March 2020.

Mr M complained to Lendable that it shouldn’t have lent to him. Lendable didn’t agree it had acted irresponsibly in providing the loan. It said it had provided the loan in accordance with its lending criteria and that it was affordable for Mr M. Unhappy with that response Mr M brought his complaint to us.

Mr M’s complaint has been assessed by one of our investigators. She didn’t think that the checks Lendable carried out before agreeing the loan were sufficient. And she thought that the results of better checks would have resulted in Lendable declining Mr M’s application as the loan wouldn’t have appeared to be affordable. So, she asked Lendable to put things right for Mr M.

Lendable accepted that assessment. But Mr M asked that Lendable be required to write off his outstanding balance or accept a token repayment. And he asked that the adverse information recorded on his credit file be removed before any loan balance had been cleared. Our investigator asked Lendable whether it was prepared to make those changes, but it declined to go further than our investigator had initially recommended. So, Mr M asked that his complaint be passed to an ombudsman to decide. This is the last stage of our process. If Mr M accepts my decision, it is legally binding on both parties.

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.

We’ve set out our approach to unaffordable/irresponsible lending complaints on our website and I’ve kept this in mind while deciding Mr M’s complaint.

The rules and regulations at the time Lendable gave this loan to Mr M 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 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 credit sustainably would cause difficulties or adverse consequences for Mr M. In practice this meant that Lendable had to ensure that making the repayments wouldn’t cause Mr M

undue difficulty or adverse consequences. 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 any repayments on Mr M.

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 the consumer (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.

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 M.

Lendable has told us about the checks it did before lending to Mr M. Before it provided the loan it asked him for details of his income and verified that via a credit bureau check. And it checked his credit file before agreeing the loan too. Lendable says that check showed that Mr M had managed his credit well in the past with no visible defaults or arrears in the previous three years. Lendable said that, considering Mr M intended to use this loan for debt consolidation, it calculated that he would be left with around 31% of his income after paying his credit commitments (including his mortgage) to use on living costs and non-discretionary expenses. It thought that was sufficient to conclude the loan was affordable.

Our investigator explained why she thought Lendable should have done more thorough checks. Mr M already had a significant amount of debt – much of which would remain even if he used the loan from Lendable for consolidation. I agree that Lendable, as a responsible lender should have wanted to get a full, and independent, view of a Mr M's finances before agreeing the loan. I think Lendable needed to verify Mr M's income and expenditure.

But although I don't think the checks Lendable did before agreeing the loan were proportionate that in itself doesn't mean Mr M's complaint should be upheld. I'd also need to be persuaded that better checks would have led to a responsible lender declining his loan application. So, I've looked at copies of Mr M's bank statements from around the time of the loan to get a better understanding of the true state of his finances.

In performing that check I am not suggesting that this is exactly what Lendable needed to do. There are many other ways of getting an independent view of a consumer's finances. But given the time that has passed I think that reviewing bank statements gives me a good understanding of what would have been uncovered by what I consider to be proportionate checks.

Looking at Mr M's expenditure against his income, he was left with only around £300 each month to repay his outstanding credit card accounts and the new loan from Lendable. His credit card debt was well in excess of the loan he had asked to take so even if it were used for consolidation he would still need to make some additional debt repayments. And the repayments on the new loan would take up the majority of what Mr M had left over each month anyway.

So, I don't think the loan was affordable for Mr M. And following its consideration of the investigator's assessment Lendable has agreed with that conclusion.

But what remains in dispute here is what should be done to put things right for Mr M. Our investigator explained that, where a loan shouldn't have been provided, we would normally expect a lender to remove any interest and charges from the loan. And when any outstanding capital had been repaid, we'd ask a lender to remove any adverse information from a consumer's credit file. But Mr M doesn't think our normal approach should apply here given his vulnerability at the time the loan was agreed.

Mr M has provided us with some medical evidence to show the mental ill health problems he was facing at the time of the loan. He has told us that he now thinks those problems caused some addictive behaviour in relation to gambling, and that was at the root of his financial problems and excessive use of credit. He has sent us copies of his bank statements showing clear evidence of gambling problems.

I have no doubts about what Mr M has told us. But what I need to decide here is whether those problems are something that Lendable should have been aware of from what I would consider to be proportionate checks.

It seems that Mr M operated two bank accounts. There was an account that received his salary and was used to receive the proceeds of his loan. That account was also used to pay the majority of Mr M's normal living costs, including his credit card and loan repayments. I think it is the transactions on that account that Lendable would have reviewed had it completed better checks.

So I'm not persuaded that Lendable, from proportionate checks, would have been aware of Mr M's mental ill-health or his resulting gambling problems. And that was understandably not something Mr M told Lendable about when he was making his application. So I'm satisfied that Lendable's error here was on the basis of a failure to correctly assess the affordability of the loan, rather than a disregard for Mr M's vulnerability. I don't think that was something that Lendable should reasonably had been aware of.

So I am satisfied that it would only be fair and reasonable to apply our normal approach to putting things right where a loan had been lent irresponsibly. I appreciate that this decision will be disappointing for Mr M but I am not going to ask Lendable to do anything more than our investigator set out in her assessment.

For completeness I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with him might have been viewed as unfair by a court under s.140A of the Consumer Credit Act 1974. But, I'm satisfied the redress I am directing results in fair compensation for Mr M 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

Given that I have concluded this loan shouldn't have been agreed, I don't think it fair that Lendable should ask Mr M to pay any fees, interest or charges on it. But I do think that, since Mr M has had the benefits of the principal he borrowed, the loan funds should be repaid.

So, to put things right, Lendable should;

- Cap the amount Mr M needs to repay at the capital amount he borrowed, this being £11,500;
- Consider all payments Mr M has made as payments towards this capital amount; and
 - If Mr M has repaid more than the capital he borrowed, which I don't think is the case here, then Lendable should refund these overpayments to him along with 8% simple interest per annum*; or
 - If Mr M hasn't yet repaid the capital then Lendable needs to ensure Mr M is treated fairly and with forbearance which may mean agreeing an affordable repayment plan with him or amending an existing one.
- Remove any adverse information about this loan from Mr M's credit file once it has been settled.

* HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Mr M a certificate showing how much tax it's taken off if he asks for one.

I am aware that Lendable has sold this debt to a third party. Lendable should take all reasonable steps to ensure that the third party recalculates and manages Mr M's debt in line with what I have set out above. Should Lendable find that it cannot ensure Mr M is treated fairly by the third party it should repurchase the debt and deal with Mr M direct.

My final decision

My final decision is that I uphold Mr M's complaint and direct Lendable Ltd to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 September 2025.

Paul Reilly

Ombudsman