

The complaint

Mr B complains Lendable Ltd (Lendable) failed to carry out sufficient affordability checks before it approved a loan for him.

What happened

Mr B says Lendable approved a loan for him in April 2019 for £9,000 but failed to carry out thorough enough financial checks before doing so. Mr B says Lendable's affordability assessment was based on a higher level of net income than was actually the case, and it shouldn't have made the assumption he was actually going to consolidate existing debts but rather base its affordability assessment purely on what he could have afforded at that moment in time.

Mr B wants Lendable to refund all interest and charges made to the loan along with 8% simple interest.

Lendable says before it approved the loan it carried out an affordability assessment using information provided by Mr B on his application, along with data provided by credit reference agencies (CRA's) which showed a history of managing credit well. Lendable says it verified Mr B's income using CRA's account turnover data, which after deducting industry standard household and living expenditure, resulted in net disposable income sufficient to meet the new loan payments.

In addition, Lendable says the purpose of the loan was to be used to consolidate existing debts and it calculated that would produce savings of around £300 per month. Overall Lendable felt the checks it had carried out were reasonable and it didn't require any further supporting evidence before it granted the loan.

Mr B wasn't happy with Lendable's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed there are no set list of checks lenders like Lendable must carry out, but these should be borrower focussed. While the investigator felt Lendable had carried out significant checks, given the amount of external debt in place it would have been prudent to carry out a more detailed affordability assessment.

With that in mind the investigator looked at copies of Mr B's bank statements alongside his credit file and noted that Mr B's external debts had been met on time with no obvious issues. The investigator using the average income from Mr B's bank statements, calculated before any debt consolidation he had around £460 per month to meet the new monthly payments of £386 per month, but following debt consolidation as the loan was intended, this would have provided further savings of around £425 per month, meaning Mr B had a net disposable monthly income of around £500 to cover his day to day living costs.

So with that in mind the investigator concluded the loan looked affordable.

Mr B didn't agree with the investigator's view and asked for the matter to be referred to an

ombudsman for a final decision.

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 won't be upholding this complaint and I will explain how I have come to my decision.

When looking at this complaint I will consider if Lendable acted unfairly when it approved a loan for Mr B for £9,000 in April 2019.

Mr B's complaint centres around his view that Lendable failed to carry out thorough enough financial checks before it approved a loan in April 2019 for £9,000. Mr B feels strongly that if it had it would have seen the loan was unaffordable, as he was reliant on an overdraft facility and had other external debts. Mr B says Lendable's assessment of his net income wasn't correct and it shouldn't have assumed the loan was to be used for consolidation of existing debts - but purely on what was currently affordable.

While I understand the points Mr B makes, I'm not fully persuaded by his argument and I will go on to explain why.

As the investigator has pointed out there are no set list of checks lenders like Lendable must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Lendable what those checks must consist of, or from what sources those checks should come from.

Here, before Lendable approved the loan I can see it carried out an affordability assessment based on information declared by Mr B in his application and data provided by CRA's to verify his income using an industry wide account turnover tool. From the information I have seen while Mr B had external debts, including an overdraft facility these had been well maintained and there were no obvious signs of any financial pressure. So while Mr B did have external debts at the time of the loan, including an overdraft, that wouldn't in itself be a reason not to provide further facilities – after all these had been well managed at that point.

In addition, Lendable carried out an affordability assessment using a net monthly income of £2,070 that it had obtained from CRA's, rather than using the higher figure Mr B had declared. Lendable then allowed for existing debt servicing costs and after adding back a sum saved for debt consolidation which it calculated to be around £300, plus the new loan commitment of £386 per month, resulted in a net disposable income (NDI) of around £1,250 to cover living and non-discretionary expenses.

Mr B says his income was less than Lendable had calculated and from the statements I have seen and as referred to by the investigator, for the two months leading up to the loan Mr B's net monthly income was around £1,895 per month. That said the investigator calculated after allowing for some debt consolidation and the new loan costs, Mr B's true NDI was around £500 per month to meet day to day living expenses, which he felt showed the loan was affordable and I am satisfied that assessment is more realistic to calculate actual affordability here.

Mr B maintains that Lendable shouldn't have allowed for any debt consolidation when calculating affordability but should have simply looked at his current financial situation to assess if the new loan was affordable to him.

While I understand what Mr B is getting at here I can't say I agree, as after all the purpose of a loan does come into consideration by lenders as part of its overall credit assessment. Here Mr B declared the purpose of the loan was for consolidation of some existing debts, so it wouldn't be unreasonable for Lendable to assume that was going to take place and use those cost savings as part of its affordability modelling, before it gave its approval. After all it's fair to say the intention here wasn't to provide a net increase in Mr B's indebtedness but to help manage his monthly debt repayments overall.

It wouldn't be fair of me to hold Lendable responsible if for any reason Mr B didn't use the loan for its intended purpose. It's also worth mentioning that Mr B maintained the monthly payments on the new loan without any obvious issues and this was fully repaid on time. So on balance and after taking everything into account, I am satisfied Lendable's decision to lend was fair for the reasons I have already mentioned.

I've also considered whether Lendable acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr B will be disappointed with my decision, I won't be asking anymore of Lendable.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 January 2026.

Barry White
Ombudsman