

complaint

Mr J complains that Lendable Ltd (Lendable) irresponsibly provided him with a loan without making satisfactory checks that he could afford to repay it.

background

Mr J took out a fixed sum loan with Lendable in January 2017. The loan was for £15,000 and the total sum payable was over £31,000.

In June 2017 he complained to Lendable. He said that if they'd checked his credit record at the time they'd approved his loan they would have realised that he had pay day loans; his debt was high and that he had been missing payments on his credit cards.

He explained that at the time of taking out the loan his living expenses and debt repayments totalled over £3,000. He said his wife's income paid for child care and his income after tax was just over £2,300. There was a child support payment which provided a little more money but overall he said that at the time of making the loan application there was £550 per month more leaving his account than there was coming in.

He went on to say that he didn't think they'd checked his income and they should have done. He also thought they'd made limited enquiries into his debts. He said he'd told them his loan was to consolidate debt on his credit card but he said if Lendable had checked the APR on his credit cards they would have seen that it was lower on his loan and it didn't make any sense to consolidate the loans in this way.

Lendable said they had been responsible in their lending. They explained that they had checked Mr J's credit record before approving the loan and that this showed that all payments on all his lending products had been kept up to date for the last nine months and that he had only missed three payments in the last six years. They said the report did not show them the interest rates that were being applied to these debts.

Lendable went on to explain that to approve a loan they used certain criteria. Without quoting the actual figures (as they may be commercially sensitive) they said they would always review the applicant's disposable income and the percentage of their income that was financing debt, both before and after their mortgage was taken into account. They said that Mr J's application comfortably passed each of these criteria and they provided the figures for this service to review. And they said that as the stated purpose was to consolidate other loans, which they could see on the credit file, they thought it was reasonable to suggest the loan he was applying for would substitute rather than add to his current debts.

Our adjudicator reviewed the information provided and he was satisfied that Lendable had carried out satisfactory affordability checks before approving the loan. He didn't see anything in the credit file that he thought would have given cause for concern and he also thought that, as the loan was to consolidate other debt, it wouldn't have added to his overall indebtedness. He didn't think Lendable had to review Mr J's bank statements but he was content that they had performed the checks they would usually do that established whether Mr J met their criteria and he was persuaded that these checks were suitable.

He noticed that Mr J had referred other complaints to this service shortly after he had taken out his loan with Lendable and he thought this suggested Mr J was aware of his financial state during the period within which he could have cancelled his new loan under the "cooling

off period". And he noted that originally Mr J had rejected the loan and the fact that he'd later gone back and accepted it suggested there had been some reflection and Mr J had been able to make an informed decision.

But Mr J wasn't satisfied and he asked for a decision by an ombudsman.

my findings

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

I know it will disappoint Mr J but having reviewed the information in this complaint, I agree with the view of the adjudicator. Please let me explain.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Before agreeing to extend credit, a business should check that the credit is affordable. The type of checks which a business should carry out should be proportionate, so (for instance) a mortgage lender will ask for bank statements and payslips, but a catalogue offering a low credit limit doesn't have to go into so much detail.

In considering this complaint, I've looked at whether Lendable carried out proportionate checks, and at what information they had been given about Mr J's financial circumstances. The methods Lendable used to establish affordability were for them to decide but the practices and procedures they used had to be effective. And the depth of their analysis could be proportionate to the amount of money being requested.

Lendable provided the information that they used when they established the loan and I can see that they took account of Mr J's disposable income and his other loans and outgoings. They didn't see any signs of distress in Mr J's repayment history against his other loans and the metrics they used all showed that Mr J's indebtedness and disposable income were well within the levels they would expect when making a loan of this size. And they'd been told the loan was being used to consolidate other lending so they would not have expected Mr J's level of debt to increase because of this new loan. The credit file didn't provide information on the interest rates that were being paid on his other debts and Lendable didn't ask for this information. I don't think they had to as I think their enquiries were proportionate to the size of the loan.

Mr J's loan application showed a net income of nearly £3,700. This evidently wasn't true. It may have been because Mr J confused it with his gross income. I don't doubt that this impacted on Lendable's assessment of affordability. It would have improved the metrics they were reviewing and made the loan more approvable. But Mr J had misrepresented his earnings and it was his responsibility to provide accurate information so it would seem unfair to penalise Lendable for this and regardless, as I've mentioned above, the review of Mr J's credit file did not provide any cause for concern. He seemed to be managing his current debt and this debt would not add to it but was meant to consolidate some of it.

Lendable don't have to reduce the interest on the loan they've provided Mr J but I would expect them to have been sympathetic when they realised he was struggling financially. And I think they were as I can see that they offered him a repayment plan – which he declined.

Overall, I don't think there is anything in this analysis that would suggest the approach Lendable used to assess affordability was flawed or disproportionate and I'm therefore not persuaded that they did anything wrong when approving Mr J's loan application.

my final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 12 April 2018.

Phil McMahon
ombudsman