

## The complaint

Mr M says Lendable Ltd lent to him irresponsibly.

## What happened

Mr M took out a 60-month instalment loan for £3,000 from Lendable on 7 August 2018. The monthly repayment was £103.09 and the total repayable was £6,193.08.

Mr M says the loan was not affordable – he was in sporadic, part-time employment and suffering from a gambling addiction. Better checks would have shown this.

Our adjudicator said Mr M's complaint should not be upheld. She didn't think Lendable's decision to lend was wrong based on the checks it carried out.

Mr M disagreed, saying again that his income wasn't stable, he was gambling frequently and using credit to supplement his income. He asked for an ombudsman's review, so the complaint was passed to me.

I reached a different conclusion to the adjudicator, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new evidence by 25 April 2022.

### *Extract from my provisional decision*

*Lendable asked for some information from Mr M before it approved his loan application. It asked for details of his income and checked this with recent payslips. It says it also used current account turnover data from a third party to verify his incomings and to estimate his outgoings. It reviewed his credit file to understand his credit history and existing commitments. It asked about the purpose of the loan which was for debt consolidation. From these checks combined Lendable concluded that Mr M would have enough monthly disposable income to afford the loan.*

*I am not persuaded these checks were proportionate given Mr M would need to be able to make repayments sustainably for a long period - 60 months. Lendable knew from his credit file he already had around £14,500 of debt and that he was paid weekly through an employment agency (suggesting his employment was possibly not permanent). In these circumstances I think it ought to have carried out a fuller financial review to make sure it understood more about the stability of Mr M's employment and any variation in income, as well as his actual monthly expenditure.*

*To understand what better checks would most likely have shown Lendable I have looked at Mr M's bank statements from the three months prior to his application. I am not saying the lender had to do exactly this but it's a way for me to understand what better checks would most likely have shown.*

*The statements show a high number of gambling transactions, typically in excess of Mr M's monthly income. And in the month before his application he was persistently reliant on his*

*overdraft, incurring frequent daily fees. So had Lendable completed proportionate checks I think it would have realised there was a risk Mr M would be unable to sustainably repay its loan – that is without borrowing to repay, or without suffering some other adverse financial consequence. He was clearly having problems managing his money at the time. And whilst this loan was to consolidate some of his debt, his financial instability was evidently such that it was irresponsible to further extend his indebtedness.*

*It follows I currently think Lendable was wrong to give the loan to Mr M.*

*I haven't seen any evidence that Lendable treated Mr M unfairly or unreasonably in some other way.*

Both parties responded to the provisional decision and accepted the findings.

### **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.

As neither party sent in any new evidence - and both accepted the conclusion I had reached - it follows I have no grounds to change the findings or outcome I set out.

For the reasons set out above I find Lendable was wrong to give the loan to Mr M.

### **Putting things right**

It's reasonable for Mr M to have repaid the capital amount that he borrowed as he had the benefit of that money. But he has paid interest and charges on a loan that shouldn't have been given to him. So he has lost out and Lendable must put things right.

It should:

- Refund all the interest and charges – so add up the total Mr M repaid and deduct the sum from the capital amount.
- If reworking Mr M'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 M's loan account results in an outstanding capital balance, Lendable should try to agree an affordable repayment plan with Mr M.
- Remove any adverse information recorded on Mr M's credit file in relation to the loan.

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

### **My final decision**

I am upholding Mr M's complaint. Lendable Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 June 2022.

Rebecca Connelley  
**Ombudsman**