DRN-4806031

The complaint

Miss F has complained that Lendable Ltd ("Lendable") gave her a loan which she couldn't afford to repay.

What happened

Miss F was advanced one loan by Lendable for £7,000 (plus a loan fee of £205) on 7 July 2022. Miss K was due to make 36 monthly repayments of £336.38. An outstanding balance remains due and Miss K has told the Financial Ombudsman that she is struggling to keep on top of these payments.

Following Miss F's complaint Lendable wrote to her and explained it wasn't upholding her complaint because the checks showed Miss F would be able to afford her repayments. Unhappy with this response, Miss F referred the complaint to the Financial Ombudsman.

The investigator didn't uphold Miss F's complaint and he concluded Lendable's checks went far enough, and these checks demonstrated that Miss F would be able to afford the repayments she had committed to.

Miss F didn't agree with the proposed outcome saying that she was also unhappy with the interest rate that Lendable gave her. Miss F also gave us further details about her personal circumstances which ought to lead Lendable to reduce the interest rate.

The investigator explained why Miss F's comments hadn't changed his mind about the Outcome. As no agreement could be reached the complaint was passed to me to decide.

I then issued a provisional decision explaining the reasons why I was also intending to not uphold Miss F's complaint. Both parties were given a further opportunity to submit any further comment or evidence for consideration.

Lendable confirmed receipt of the provisional decision but it didn't have any further comments to make. Miss F didn't respond or provide anything further.

A copy of the provisional findings follows this in smaller font 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 Miss F'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 loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn't cause Miss F undue difficulty or significant adverse consequences. That means she should have been able to meet 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 Miss F. 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 Miss F (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 Miss F's complaint. Having looked at everything I have decided to conclude the checks were proportionate and the repayment of the loan appeared affordable. I have therefore not upheld Miss F's complaint and I've explained why below.

I'm sorry to hear about Miss F's health problems that she's told us about as well as the other details she provided about her personal circumstances. I do hope that the help and support she's told us about has assisted her.

Miss F declared that she worked full time and earned £1,608 per month. Lendable says it verified this income using a tool provided by a credit reference agency. The results of this check indicated the amount Miss F had declared was likely to be accurate. Lendable was also able to ascertain that Miss F had received this amount of money for the last year. For a first loan, I consider the check conducted by Lendable to be reasonable and proportionate.

From the information provided, Lendable doesn't appear to have made any attempt to establish what Miss F's normal living costs were. While, it may have had an accurate idea of her credit commitments (which I'll come on to below) it didn't know what Miss F would typically spend on items such as other bills that weren't listed in her credit file, food, transport or any other costs she may have.

Given the loan value and the term I do think it would've been prudent of Lendable to have at least considered what these costs were. At this early point it may have been reasonable to have asked Miss F questions about her outgoings and then relied on the responses, as long as that didn't contradict any other information Lendable had gathered.

I don't know what Miss F may have told Lendable about her outgoings at the time and I don't have any other documentation or testimony from Miss F to say what her specific outgoings were. In the absence of that information, I am intending to conclude that while Lendable's checks didn't go far enough, further checks or information wouldn't have changed its decision to lend.

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. I want to add that although Lendable carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Lendable needed to do was consider the results it received.

Lendable was told Miss F had around £9,200 of existing credit commitments across 10 active accounts and she hadn't opened any other credit facilities within the six months before the loan was approved. The number of active accounts and the number of new facilities wouldn't have been of concern to Lendable as it didn't indicate any reliance on any form of credit.

Lendable was also told that there were no defaults, delinquent accounts, late or missed payment markers, any forms of insolvency or any court judgements. This would've indicated to Lendable that Miss F hadn't previously and wasn't currently having problems managing her existing credit commitments. Indeed, all her active accounts were update with no adverse payment information being reported.

Miss F didn't have any outstanding loans and the majority of the debt Lendable was aware of related to credit card debt. But that alone wouldn't have been enough to have prompted further checks. While Miss F had relatively high credit utilisation, she wasn't showing any signs of struggling to repay what she owed. So, that wouldn't have been enough in my view to have prompted further checks.

I think this is key, because Miss F told Lendable she was using this loan to consolidate her debts – and she also told the Financial Ombudsman that she was going to use the loan to repay a credit card. The loan was of a sufficient value to have repaid two of Miss F's credit cards. Miss F has said that at the time she was in financial difficulties and I'm sorry to hear about these, but that didn't appear to have been reflected in the information she provided Lendable or what it received from the credit reference agencies.

The information that Lendable received from the credit reference agency wouldn't have been concerned by the results it received. There was no indication that Miss F was in arrears or was having difficulties maintaining her existing credit commitments. It therefore follows the credit checks wouldn't have prompted Lendable to conduct further checks.

Overall, I don't think Miss F's income and what Lendable discovered from the credit report would've prompted further checks.

I know Miss F is unhappy about the interest rate Lendable gave her for the loan, but my role and remit doesn't extend to policing interest rates. 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. So, while the loan maybe more expensive then say a high street bank I can't say Lendable has made an error with the rate of interest that it has charged.

It therefore follows that while Lendable may not have carried out a proportionate check, I currently don't have sufficient information to say that further enquires into Miss F's living costs would've made a difference to the outcome that I'm intending to reach.

Miss F has told the Financial Ombudsman that she has struggled to make her repayments as and when they become due, and she has suggested one way Lendable could support would be to reduce the interest rate that she currently has to pay. Lendable has a regulatory obligation to treat Miss F fairly and with forbearance and if she hasn't done so she should approach Lendable to see what help and support it may be able to offer her.

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.

As neither party has provided any further information or submissions, I see no reason to depart from the findings I made in the provisional decision. I still think it would've been prudent of Lendable to have made some further enquiries with Miss F about her actual living costs, but without anything further, I can't say that Lendable made an unfair lending decision.

I am therefore not upholding Miss F's complaint but I would remind Lendable of its obligation to treat her fairly and with forbearance in assisting her repaying the loan.

My final decision

For the reasons I've explained above and in the provisional decision, I'm not upholding Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 20 June 2024.

Robert Walker
Ombudsman