

Complaint

Miss C has complained about a loan Lendable Ltd (“Lendable”) provided to her.

She says that Lendable provided her with an unaffordable loan at a time when she was desperate for funds. She also argues that she has already paid more than she borrowed and an amount which should be considered enough to settle the loan.

Background

Lendable provided Miss C with a loan for £3,500.00 in June 2021.

The loan had an APR of 48.88% and a 48-month term. This meant that the total amount to be repaid of £3,363.08, which included interest, fees and other charges of £3,590.08 (comprised of interest of £1,630.97 and a loan fee of £227), was due to be repaid in 47 instalments of £148.18 followed by a final payment of £125.62.

One of our investigators reviewed what Miss C and Lendable had told us. And she thought that Lendable hadn’t acted unfairly when providing Miss C with her loan. So she didn’t uphold Miss C’s complaint.

Miss C disagreed and asked for an ombudsman to look at her complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss C’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss C’s complaint. I’ll explain why in a little more detail.

Lendable needed to make sure it didn’t lend irresponsibly. In practice, what this means is Lendable needed to carry out proportionate checks to be able to understand whether Miss C could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Lendable says it agreed to Miss C's application after she provided details of her monthly income and expenditure. It says it cross-checked this against information it obtained on the amount of funds Miss C received into her bank account each month and a credit search which it carried out.

In its view, the information it gathered about Miss C's income and expenditure showed that Miss C would be able to make the repayments she was committing to. Lendable says, in these circumstances it was reasonable to lend.

On the other hand, Miss C has said the loan was unaffordable because of her credit history and the amount of loans she already had. So she shouldn't have been lent to.

I've carefully thought about what Miss C and Lendable have said.

The first thing for me to say is that this was Miss C's first loan with Lendable. The information provided does suggest Miss C was asked to provide details of her income and expenditure and Lendable didn't just rely on what it was told. It cross-checked Miss C's declaration of income against information that it obtained from credit reference agencies and this suggested that it could be confident that Miss C received a sufficient amount to be able to make her repayments.

Furthermore, the credit search carried out showed that Miss C unsecured debt wasn't excessive and appeared to be reasonably managed - although I do accept that there was a missed payment on an account.

At the absolute most it could be argued that Lendable needed to ask Miss C about her living costs rather than rely on estimates of this. However, having looked at the information Miss C has provided. I don't think that there is anything in it that should have led to Lendable declining Miss C's application. Indeed, on the face of things, what has been provided appears to show that the loan was affordable and there's nothing in it which calls the rest of the information Lendable relied on into question.

Bearing this in mind and what the rest of the information shows, I can't reasonably say that further scrutiny of the information gathered would have prevented Lendable from providing this loan. I'd also add that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

And, in this case, I don't think that Lendable did anything wrong in deciding to lend to Miss C – especially given this was a first loan and its lack of previous history with Miss C. So overall I don't think it was unreasonable for Lendable to provide this loan to Miss C.

I have also thought about what Miss C has said about the costs of the loan being high and that she feels the payments she has already made to the loan are enough. However, the information regarding the costs of the loan as well as how long Miss C would have to make her payments for, which is set in the background section of this final decision, is taken directly from the credit agreement Miss C signed.

So I think that Miss C was notified of the costs of the agreement before she entered into it. And it was Miss C's to accept these terms and proceed with the agreement. While I appreciate that Miss C may now consider that this loan is expensive, given she agreed to these terms, I'm afraid that this isn't a reason for me to say that Lendable did something wrong here.

In reaching my conclusions, I've also considered whether the lending relationship between Lendable and Miss C might have been unfair to Miss C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Lendable irresponsibly lent to Miss C or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

As this is the case, I'm not upholding Miss C's complaint. I appreciate this will be very disappointing for Miss C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss C's complaint, I would remind Lendable of its continuing obligation to exercise forbearance and due consideration, given Miss C has said about having difficulty making her payments.

I would also encourage Miss C to get in contact with and co-operate with any steps that may be needed to review what she might, if anything, be able to repay going forward. Miss C may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Lendable's actions in relation to exercising forbearance over the remainder of the term.

My final decision

My final decision is that I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 13 September 2024.

Jeshen Narayanan
Ombudsman