

The complaint

Miss S complains that Lendable Ltd lent irresponsibly when it approved two loan applications she made.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

In October 2020 Miss S applied for a loan of £1,000 with Lendable. In her application, Miss S said she was employed with an income of £1,052 a month. Miss S also said she was renting but no rent figure was provided. Lendable says it verified Miss S' income via the credit reference agencies. Lendable also carried out a credit search to get an idea of Miss S' regular commitments. Lendable says it calculated that when Miss S' existing commitments and her new loan payments were met, she had around 65% of her monthly income (around £650) available as disposable income. Lendable approved the loan and Miss S made repayments over the following 24 month term.

In November 2023 Miss S applied for a loan of £1,300 with Lendable. In this application, Miss S said she was working part time with an income of £2,000 a month. Miss S said she was renting but, again, no figure was provided for her rent. Lendable says it verified Miss S' income via the credit reference agencies. Lendable says that when it applied its lending criteria it found Miss S had £411 available as disposable income after meeting her existing commitments and new loan payment of £79.45 a month.

Earlier this year, Miss S complained that Lendable lent irresponsibly when approving both loans and asked it to refund all interest, fees and charges applied. Lendable issued a final response on 14 June 2024 but didn't uphold Miss S' complaint. Lendable said it had carried out the relevant lending checks and didn't agree it lent irresponsibly.

An investigator at this service upheld Miss S' complaint. They thought Lendable had carried out proportionate checks before deciding to approve both loans but felt the information on Miss S' credit file and in her application should've shown further borrowing wasn't sustainable. The investigator asked Lendable to refund all interest, fees and charges applied to both loans. Lendable asked to appeal, so Miss S' complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say Lendable had to complete reasonable and proportionate checks to ensure Miss S could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Whilst I agree with the overall conclusion the investigator reached that Lendable lent irresponsibly, I note they felt it carried out proportionate checks as part of the application process. But I've reached a different conclusion and I'm not persuaded the checks Lendable completed were proportionate. I'll explain why.

In Miss S' application in October 2020 she gave an income of £1,052 a month. I think it's fair to say that was a modest income and meant Miss S had limited means to cover her existing outgoings and new borrowing. And when Lendable carried out a credit search, it found Miss S had six credit cards, six mail order accounts, a hire purchase agreement and current account with overdraft. The credit report Lendable obtained shows Miss S owed around £7,250 across her accounts and that she was already using 90% of her existing credit. In my view, taking Miss S' income and existing commitments into account, Lendable needed to be very sure she would be able to sustainably afford further repayments for a new loan. I'm satisfied that the information available to Lendable should've caused it to consider carrying out a more comprehensive set of checks to verify her circumstances. One option would've been to review Miss S' bank statements for the period before her application was made which is what I've done.

The bank statements show Miss S was earning around £1,000 a month which is in line with her application. They also show Miss S was making repayments of to her existing creditors of around £370 a month. I also think it's fair to note that Miss S appears to have been reliant on buy now pay later credit as she was making monthly payments of up to £375 to businesses providing that service. That means, Miss S would've had around £300 left to cover all food, travel and other essential living expenses. I note Miss S was in receipt of child benefit which meant she also had to cover outgoings for her dependents.

I'm satisfied Miss S had very limited capacity to afford additional borrowing in October 2020. In my view, if Lendable had carried out better checks, like reviewing Miss S' bank statements, it's more likely than not that it would've declined her application in October 2020. Based on the information available, I'm satisfied Lendable lent irresponsibly when it approved the first loan.

Lendable may argue that Miss S repaid the balance of her first loan without issue. But I think it's important to note Miss S' unsecured debts had increase from £7,000 to around £9,000 between applications. That would indicate Miss S may've become reliant on credit and was borrowing at an unsustainable rate.

There are some inconsistencies in Miss S' second application that I'd have expected Lendable to query. Miss S said her income had increased to £2,000 a month but said she was only working part time. A doubling of income feels somewhat at odds with a reduced level of work. In addition, Miss S said she was renting but no rent figure was provided. And, as noted above, Miss S' unsecured debt level had increased from £7,000 to around £9,000

between her applications which doesn't reflect an increase in her personal income. In the circumstances, I think Lendable ought to have gone further by carrying out a more comprehensive assessment of Miss S' circumstances before approving the loan application.

Landgable's submission says it verified the £2,000 a month income figure noted in the application via credit reference agencies. But looking at Miss S' bank statements for the period before her loan was approved, I haven't seen evidence of income at that level. For instance, in October 2023, Miss S received weekly pay of £147.66, totalling £590. Miss S also received a universal credit payment of £710 and child benefit of £159.60. I can see there were transfers in from third parties, including family members, but I'm satisfied they don't represent a regular income for Miss S and wouldn't be something Lendable could reasonably use in a lending assessment.

Miss S' outgoings in October 2023 show she was making payments to her creditors and for utilities and other services that came to around £360. But more of an issue is that it's clear Miss S' use of buy now pay later credit had escalated considerably since the previous application with payments of over £790 being debited by various providers. I also note that Miss S's bank statements show at least 39 separate online gambling transactions in October 2023 which is something I'd have expected Lendable to factor into any lending assessment if it had seen them. Finally, I can see that Miss S' current account was predominantly overdrawn, only entering a credit position for brief periods.

Overall, I'm satisfied Miss S' bank statements show she was already at capacity and unable to sustainably afford further repayments without causing financial harm. My view is that Lendable should've completed a more comprehensive assessment when deciding whether to lend in November 2023. And I think it's more likely than not that if Lendable had asked to see Miss S' bank statements, or sought some other type of supporting information, it would've declined her application.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Miss S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Based on the information I've seen so far I intend to uphold Miss S' complaint and direct Lendable to refund all interest, fees and charges applied to both loans.

In response to the provisional decision, Miss S confirmed she was willing to accept. Lendable responded and said it agreed to settle and would await the 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.

As no new information has been provided by either party I see no reason to change the conclusions I reached in my provisional decision. I remain of the view that Miss S' complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Miss S' complaint and direct Lendable Ltd to settle as follows:

Add up the total amount of money Miss S received as a result of having been given both loans. The repayments Miss S has made should be deducted from this amount.

- a) If this results in Miss S having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- b) If any capital balance remains outstanding, then Lendable should arrange an affordable and suitable payment plan with Miss S.

† HM Revenue & Customs requires Lendable to take off tax from this interest. Lendable must give Miss S a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 19 December 2024.

Marco Manente
Ombudsman