

Complaint

Mr H has complained about a personal loan Lendable Limited ("Lendable") which he says it irresponsibly provided to him. He says the loan was unaffordable and s shouldn't have been provided to him.

Background

Mr H has also complained about a credit card that Lendable provided to him. But we're looking at the credit card complaint separately and this decision only concerns Mr H's loan with Lendable.

Lendable provided Mr H with a loan for £6,000.00 in May 2021. This loan had an APR of 35.36% and the total amount to be repaid of £2,497.36, which included interest fees and charges of £5,860.45 (comprised of interest of £5,420.45 and a loan arrangement fee of £440), was due to be repaid in 59 monthly instalments of £197.33 and a final instalment of 217.98.

One of our investigators reviewed what Mr H and Lendable had told us. And she didn't think that that Lendable acted unfairly when deciding to provide this loan to Mr H and so didn't uphold the complaint. Mr H disagreed and asked for an ombudsman to review the 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 Mr H's complaint.

Lendable needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, what this means is Lendable needed to carry out proportionate checks to be able to understand whether Mr H could afford to make his repayments 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 provide loans irresponsibly.

Lendable says it approved Mr H's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out on Mr H which showed he had defaulted on credit accounts, but these had taken place some time ago. And Mr H's active commitments were relatively well

maintained at the time of his application. This included the fact that he was only using around a third of the limits on his existing revolving credit accounts.

In Lendable's view all of the information it gathered showed that Mr H could afford to make the repayments he was committing to. On the other hand, Mr H has said he was already in struggling and couldn't afford this loan.

I've carefully thought about what Mr H and Lendable have said.

It's clear that Lendable did obtain a reasonable amount of information before it decided to proceed with Mr H's application. And this information does appear to suggest that the loan repayments were affordable for Mr H. What is also key to me is that Mr H said that he was going to use this loan to consolidate some of his existing debts.

Lendable could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mr H would go on to re-establish balances on any consolidated accounts – all it could do was take reasonable steps and rely on assurances from Mr H that the balances in question would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to, at the very least, reduce Mr H's existing balances.

Additionally, as this was a first loan Lendable was providing to Mr H, there wasn't a history of Mr H obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either. And Lendable was reasonably entitled to believe that Mr H would be left in a better position as a result of this too.

I accept that Mr H's actual circumstances may not have been fully reflected either in the information he provided, or the information Lendable obtained. For example, Mr H says that he was behind on priority bills. But I have to think about what Lendable knew or ought reasonably to have known, not what Mr H is now telling me. This is especially as any recent arrears on the part of Mr H's utility accounts did not show up on any of Lendable's searches.

I do accept it's possible that if Lendable had gone into the depth of checks Mr H appears to be saying it should have – such as obtaining bank statements – it might have reached a different answer. But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements.

Given the circumstances here, I'd expect Lendable to have a reasonable idea of Mr H's income and committed non-discretionary spending, which it did have here as a result of the checks that it did carry out, rather than a complete review of Mr H's finances. Equally, as Mr H hasn't provided anything which clearly demonstrates further checks would have shown the loan payments were clearly unaffordable, it's difficult for me to in any event reach this conclusion.

I should also explain that it is only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr H is suggesting. As this is the case, I don't think that Lendable did anything wrong when providing this loan to Mr H - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

I know that Mr H has queried how it is possible for us not to uphold this complaint when he's had a separate complaint upheld. I can understand why Mr H might find it strange that he's received different outcomes on complaints which he perceives to be materially the same.

But it's important for me to explain that we consider complaints on an individual basis and looking at the individual circumstances. As I've already explained, what will constitute a proportionate check will very much depend on the particular circumstances of the individual application. A proportionate check, even for the same customer, could look different for different applications.

Furthermore, I'm not bound by the outcomes reached by other case handlers on different cases. Ultimately, I'm required to consider the facts of a case and reach my own conclusion. So the outcomes on Mr H's other case cannot and do not bind me into reaching the same conclusion on this case. That said, consistency is important and with a view to providing some clarity and reassurance to Mr H, it might help for me to explain that there are some key differences between this complaint and Mr H's other one.

Having looked at Mr H's other case, it's clear that he was advanced a number of loans, at higher interest rates which resulted in higher costs. In particular, the earlier loans which I accept were for lower amounts were around the time of Mr H's default. These differing facts impacted on what it would have been proportionate for the lender to do and find out in that case at the relevant times.

So while I'm not required to replicate the outcomes reached by our other ombudsmen, nonetheless I don't consider that my answer here is incompatible or inconsistent with the one Mr H received on his other case, notwithstanding the differing outcomes.

Overall and having considered everything, I'm satisfied that Lendable didn't treat Mr H unfairly or unreasonably when providing this loan to him. And I'm not upholding Mr H's complaint. I appreciate this is likely to be very disappointing for Mr H – especially bearing in mind what he's said about his other complaint. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 January 2024.

Jeshen Narayanan
Ombudsman