

Complaint

Mr R has complained about a loan Lendable Limited (“Lendable”) provided to him.

He says the loan was unaffordable and so shouldn’t have been provided to him.

Background

Lendable provided Mr R with a loan for £5,000.00 in March 2022. This loan was due to be repaid in 59 monthly instalments of £162.53 and a final instalment of £183.23. The purpose of the loan at the time of the application was recorded as debt consolidation.

One of our adjudicators reviewed what Mr R and Lendable had told us. And he thought that Lendable hadn’t done anything wrong or treated Mr R unfairly. So he didn’t recommend that Mr R’s complaint be upheld.

Mr R disagreed and asked for an ombudsman to look at his 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 R’s complaint.

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

Lendable needed to make sure 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 R 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 Mr R’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. In its view all of this information showed Mr R could to comfortably make the repayments he was committing to.

On the other hand, Mr R has said he should never have been provided with this loan because of his existing financial position.

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

The first thing for me to say is that Lendable didn't simply accept an over-optimistic declaration of monthly disposable income at face value. Lendable's credit searches showed Mr R had some existing debts. But these weren't excessive. And the intention was for Mr R to clear the vast majority, if not all, of his existing commitments with the proceeds of this loan.

Furthermore, having reviewed the bank statements Mr R has provided, I can't see anything on them which indicated he wouldn't be able to make the repayments to this loan had he consolidated his existing debts in the way he said he was going to. He was using his overdraft before the loan. But it was up to Mr R to contact his bank to arrange for the overdraft to be reduced or removed once he was able to repay the balance.

Equally, as this was Mr R's first loan with Lendable, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr R's existing indebtedness in a way that was unsustainable or otherwise harmful.

I accept that Mr R says he experienced difficulty making the payments. And I suspect the reason is because Mr R ended up re-establishing balances on some of his revolving credit accounts. But Lendable could only make a reasonable decision based on the information it had available at the time. It won't have known that Mr R might not close his revolving credit accounts and would instead spend on them again.

All Lendable could do was take reasonable steps to ensure the payments would be affordable for Mr R. And as Mr R didn't have a history of applying for loans with Lendable for consolidation purposes and then returning for further funds after having failing to consolidate as he said he would, I think Lendable was reasonably entitled to believe the funds would be used for the stated purpose.

As this is the case, I don't think that Lendable did anything wrong when deciding to lend to Mr R - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Lendable treated Mr R unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr R's complaint, I would remind Lendable of its obligation to exercise forbearance and due consideration should Mr R be experiencing difficulty and it choose to collect payments from him.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 October 2023.

Jeshen Narayanan

Ombudsman