

Complaint

Miss C has complained about a loan Lendable Ltd (“Lendable”) provided to her. She says that Lendable provided her with an unaffordable loan.

Background

Lendable provided Miss C with a loan for £10,000.00 in April 2019. It had an APR of 18.1% and a 48-month term. This meant that the total amount to be repaid of £13,756.28, which included interest, fees and other charges of £3,756.28 (made up of interest of £3,061.28 and a loan fee of £695) was due to be repaid in 27 instalments of £263.05 and a final payment of £263.05. One of our investigators reviewed what Miss C and Lendable had told us. And he thought that Lendable hadn’t lent irresponsibly. So he 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 not been persuaded 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 on a credit search it carried out on Miss C. The information Miss C provided about her income and expenditure showed she’d 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.

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. The credit search carried out showed Miss C had a historic default from three years prior to the application, which was settled the year before. And at the time Miss C's outstanding debt and what she did have appeared to be reasonably managed.

Bearing in mind the repayment amount and what the credit search showed, it's arguable that Lendable ought to have found out a bit more about Miss C's regular living costs. But having looked at the information Miss C has provided I don't think that there is anything in it that would have led to Lendable declining Miss C's application. Indeed, on the face of things, what's been provided appears to show that when Miss C's regular living costs are added to the credit costs calculated from what was on the credit search the loan repayments appear affordable.

I accept Miss C's full circumstances may not be reflected in the information Lendable gathered or in the information since provided. For example, I know Miss C's said she had to repay a loan or credit card her brother had taken out for her in his name. But Lendable can't and won't have known about this to factor it in to its lending decision, as it won't have come up in the credit searches it carried out and Miss C didn't volunteer this information either.

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 – although it could be argued that it ought to have gathered a bit more information about Miss C's regular living costs, I don't think this information would have made a difference to its decision to lend.

So overall I don't think it was unreasonable for Lendable to have provided this loan to Miss C. 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.

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 1 December 2023.

Jeshen Narayanan
Ombudsman