The complaint

Mr F complains that Lendable Ltd lent to him irresponsibly and kept offering him loans when he could not afford it.

What happened

Using Lendable's information here is a table of the approved loans.

Loan	Approved	Amount	Repayment Schedule	Repaid date
1	20 August 2021	£1,000 plus £55 fee	12 x £96.23	25 February 2022
2	25 February 2022	£2,000 plus £105 fee	23 x £99.14 1 x £96.18	13 December 2022
3	2 December 2022	£3,500 plus fee of £195	29 x £157.96 1 x £127.34	June 2023

Mr F complained using an on-line complaint resolution service in January 2023 so a few weeks after taking the third loan and soon after the first instalment of loan 3.

Lendable issued to Mr F its final response letter (FRL) in which it explained the approach it takes to applications and gave reasons why it did not uphold Mr F's complaint.

Mr F referred the complaint to the Financial Ombudsman Service where one of our adjudicators considered it. He did want to see Mr F's bank account statements for the period leading up to loan 3. He then came to a view that Lendable had not lent irresponsibly.

Mr F wanted an ombudsman to review the complaint and in the meantime had negotiated an early settlement with Lendable and so the loan account appears to have closed recently – June 2023. At the end of May 2023, the full balance due was just under £3,244 and after Mr F's emails to Lendable it accepted £2,650 on 12 June 2023. Mr F was told by Lendable it would be noted as a 'short settlement' on his credit file.

The unresolved complaint was passed to me to decide.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Lendable had to assess the lending to check if Mr F could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Lendable's checks could've considered several different things, such as how much was being lent, the size of the repayments, and Mr F's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Lendable should have done more to establish that any lending was sustainable for Mr F. These factors include:

- having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- having a large number of loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr F.

Lendable was required to establish whether Mr F could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr F was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr F's complaint.

Mr F's declared income for each of the loans was verified by Lendable before approving each loan. It was £1,833 each month, he worked full time and lived in rented accommodation. The income and expenditure assessment which would have formed part of the creditworthiness assessment has been explained to us in the submissions to us from Lendable:

> *'Lendable performs a focused expenditure check to ensure that the customer has a sufficient proportion of their monthly income left for living costs and non-discretionary spending after servicing their debts. This is calculated as the proportion of income remaining after monthly debt servicing obligations, including the monthly repayment for the new Lendable loan. Revolving account contributions are estimated to require a minimum repayment of 3% of the outstanding balance. The monthly repayment for the new loan is added to the total, Lendable uses this value to calculate the percentage of the verified income that is required for debt servicing.'*

And it was outlined in its FRL addressed to Mr F:

> *'We reviewed your credit file at the time of your application to understand your verifiable monthly expenditure and your history of managing credit.'*

So, the credit research is a key part of the Lendable process. We have copies of all of those and Mr F needs to be aware that the regulatory requirements surrounding responsible lending do not include mandatory review of bank account statements.

I've reviewed each of those and in general none of the credit searches Lendable carried out before lending revealed that Mr F had a high level of debt. For instance, Mr F's overall debt balance when he applied for loan 1 was £685, for loan 2 it was £3,279 and for loan 3 it was £5,912. None of which I'd consider particularly high. There were no indications of any insolvency and no adverse information recorded such late payments on his file. For the first loan application a default from July 2019 had been recorded and it had been paid off a couple of months later. And so I'd not consider that on its own to have been enough for Lendable to have been concerned as it was some time before loan 1 and had been settled soon after the default was applied.

I have noted that Mr F repaid loan 1 on the same day he took loan 2 – around £550 was a lump sum payment to clear loan 1. On its own and for the first time I'd not say that was a reason for Lendable to consider that repaying loan 1 early using the loan 2 funds was a reason to be concerned.

I do not consider that Lendable fell below what was expected of it when considering Mr F's creditworthiness for loans 1 and 2. I do not uphold the complaint about those two loans.

Our adjudicator considered that Lendable ought to have made some additional checks when Mr F applied for loan 3. Loan 2 had not been repaid when he applied for loan 3 and it seems that Mr F used the funds from loan 3 to pay off loan 2 a few days later. He repaid £1,377 to Lendable in relation to loan 2 around 12 December 2022 which cleared that account. That would have been the second time that Mr F had used new funds to repay the older loan.

And loan 3 was for a much larger sum and for a longer loan term than the other two loans plus the credit search did show that his overall debt figure, while still not high, had increased a great deal since loan 1. I think that Lendable ought to have carried out some additional checks. This could have been done by it asking Mr F to send in copies of bills and payslips and rental agreement documents or one convenient method was to have asked to look at Mr F's bank account statements.

Mr F sent these to us and I have reviewed those for October to December 2022. And there's nothing revealed in those documents which, had Lendable asked to review them, would likely have led it to consider that Mr F was overindebted or was unable to afford loan 3.

To illustrate the point, in the set covering 1 November to 30 November 2022 which would have been just before loan 3 was approved, the transactions related to relatively usual looking daily spends and that he paid off two credit cards. He was receiving interest charges on the overdraft but it was modest and using a bank's overdraft facility is not something that would point to a reason to refuse a loan application. Had Lendable reviewed the evidence Mr F has sent to us I'd not consider that Lendable's lending decision would likely have altered.

I do not uphold the complaint about loan 3.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 28 August 2023.

Rachael Williams
Ombudsman