

## **The complaint**

Miss W says Lendable Ltd irresponsibly lent to her.

## **What happened**

Miss W took out a 60-month instalment loan for £5,000 from Lendable on 18 September 2020. The monthly repayments were £150.17 and the total repayable was £9,007.29.

Miss W made her payments in full and on time for the first 13 months but then cancelled her direct debit, so there remains an outstanding balance.

Miss W says she wasn't in a financial position to repay this loan, if Lendable had checked it would have seen she had other debts and that she wasn't in employment at the time.

Our adjudicator did not uphold Miss W's complaint. He said Lendable ought to have carried out better checks but had it done so he didn't think the results would have shown anything to suggest Miss W would be unable to sustainably repay this loan.

Miss W disagreed with this assessment and asked for an ombudsman's review. She said she was on benefits at the time and paying rent of £900 so she had very little left each month.

## **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 and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Miss W's complaint.

Lendable needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss W could afford to repay what she was being lent in a sustainable manner. This means without having to borrow to repay or suffering other adverse financial consequences. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts, Miss W's income and expenditure and her credit history. There was no set list of checks.

This means to reach my decision I need to decide if Lendable carried out proportionate checks at the time of the loan application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown.

Lendable asked for some information from Miss W when she applied for the loan. It asked for her income and checked this with an external verification source. It completed a credit check to understand her credit history and existing credit commitments. From these checks combined Lendable concluded the loan would be affordable for Miss W.

I don't think these checks were proportionate given the term and value of the loan and the fact that there was a significant difference in the income Miss W declared (£1,946) and the result of the Lendable's verification (£800). In these circumstances I think Lendable ought to have completed a fuller review to ensure it understood Miss W's financial position.

I have looked at her bank statements for the time prior to the loan application. I am not saying Lendable had to exactly do this but it is one way for me to try to understand Miss W's financial position at the time. However, it is not possible to get a clear understanding from just the statements she has provided. They show she was moving money frequently between different accounts (to a total of £1,526.42 in and £1,832.63 out in August 2020). We have asked for the statements for her other accounts but Miss W has not provided them.

I can only base my decision on the available evidence and this means I cannot fairly conclude better checks would have shown Lendable the loan was unaffordable for Miss W. I'll explain why.

The statements I have access to show Miss W had a monthly income of £1,130.06. This was from benefits but that in itself would not be a reason for a lender to decline an application. The regulations it must follow allow it to include benefits in affordability assessments. I cannot accurately assess Miss W's outgoings given the inter-account transfers. It seems the rent she references was not paid from the account she has sent in statements for. In the round this means I cannot form a clear view of Miss W's disposable income. So I am focusing on what I do know.

Lendable's credit check at the time of the application showed Miss W had very little debt - £1,220 – that she was largely managing well. She had some low value arrears on two accounts but had brought them back up to date recently. There were none of the typical signs of financial difficulties such as the persistent reliance on an overdraft facility, using credit for cash or payday loans. There was just one search registered in the last 12 months. There was one default in the last 36 months but none in the last 12. Miss W was using around 80% of her credit limits.

So overall I don't think Lendable was wrong to lend to Miss W based on what it learnt from its credit check.

Adding this loan to Miss W's existing credit commitments meant she would be paying 18% of her monthly income on credit which I find to be reasonable and not an indicator of likely future financial difficulties.

It follows, based on the available evidence, I cannot find Lendable was irresponsible to lend to Miss W.

I note Miss W made her payments on time for 13 months but then stopped, and that the IVA she was in has now terminated. I am sorry Miss W went on to struggle financially. I hope she now has the support she needs - she can contact Step Change on 0800 138 1111 or National Debtline on 0808 808 4000 for free debt management advice. I would urge her to also contact Lendable to agree an affordable repayment plan if feasible and I would remind Lendable of its obligation to treat Miss W fairly, and with forbearance. I am satisfied its attempts to discuss the loan with Miss W have shown it to be acting fairly to date.

### **My final decision**

I am not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 11 August 2023.

Rebecca Connelley  
**Ombudsman**