

The complaint

Miss M complains that Lendable Ltd was irresponsible to lend to her.

What happened

Miss M took out one loan with Lendable on 20 December 2022 as seen in the following table:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>
1	20 Dec 2022	£3,000	36m	£131.81	20 Dec 2025

Miss M says she had significant debt, including a recent mortgage, at the time of the lending. She says Lendable had access to her bank account so would have also seen that her expenditure exceeded her income. Miss M says that she can now only make minimum repayments on her credit cards and her mental health has been affected by the worry of losing her house.

Lendable says all affordability, credit and income checks were carried out and Miss M fulfilled its criteria. It says there was nothing of concern on her credit file and it verified her income before approving the loan. Lendable adds that Miss M made her first two repayments on time before complaining in February 2023. It says Miss M should get in contact if she wishes to discuss a more affordable repayment plan.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Lendable had carried out proportionate checks and that there was nothing in the information it collected that should have indicated the lending was unsustainable.

Miss M responded to say, in summary, that she had multiple credit accounts at the time she applied to Lendable. She says she was using credit cards to make repayments and borrowing from family and friends to maintain her credit score. Miss M says that her credit file has now deteriorated as she is now *“out of options”* for new credit.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Miss M’s case, I have considered the following questions:

- Did Lendable complete reasonable and proportionate checks when assessing Miss M's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Lendable make a fair lending decision?
- Did Lendable act unfairly or unreasonably in some other way?

When Miss M applied for the loan, I've seen evidence to show Lendable checked her credit file and verified her income. These checks showed:

- A verified income of £2,319 per month;
- Miss M says she was using the money for debt consolidation;
- 12 active credit accounts:
 - A mortgage account with a balance of £113,854 and monthly repayments of £444;
 - Two current accounts and a telecoms account had a zero balance;
 - Three credit cards had a total balance of £4,258 from a £12,650 combined credit limit;
 - Four loan accounts with a combined balance of £19,592 and monthly repayments totalling £610;
 - A utilities account with a balance of £97;
- There were no missed payments, arrears, county court judgements or defaults on the credit file.

Based on the above, I don't consider Lendable's checks went far enough. I say that because:

- The loan was for a term of three years and Lendable needed to be sure the repayments were sustainable for that period;
- Miss M was already committed to paying over 30% of her income on unsecured credit commitments. Adding in her mortgage, this left Miss M with less than 50% of her income with which to pay her other regular expenditure.
- Of her 12 active credit accounts, six had been taken out in the previous three months.

So I consider Lendable should have ensured it had a thorough understanding of Miss M's financial circumstances, including her regular household expenditure, before it agreed to the lending.

I've had a look at Miss M's bank statements from the time as a reasonable proxy for what proportionate checks may have shown. I can see that:

- Miss M's income was around £2,300 in the months prior to the lending;
- Her loans and mortgage combined to a monthly commitment of £1,054;
- Minimum repayments on her credit card balances and other regular direct debits were around £200 per month;

- There were no costs evident for council tax and utilities, however, as Miss M had only just taken out a mortgage on a new address, I have used the figures she has quoted of £300 in total for these.

The above analysis leaves over £600 for other regular expenditure once the new loan repayment has been taken into account. I can see Miss M spent up to £200 per month on food and petrol, but I can't see that proportionate checks would have shown Lendable that the loan was unaffordable. In addition, Miss M was well within the limits on her credit cards and was regularly repaying more than the minimum, both of which are signs that she was not struggling financially at the time.

Finally, I can see Miss M told Lendable that she would be using the loan for debt consolidation. I can't see that the money was used to reduce the balance on any of her existing credit commitments and, indeed, I note that she took out further loans, and a credit card, around the same time or shortly afterwards, the Lendable loan.

So, in summary, although I don't consider Lendable carried out proportionate checks, I don't find such checks would have led it to a different conclusion about the lending. As such I find Lendable made a fair lending decision and I haven't seen any evidence to show that it acted unfairly or unreasonably in any other way. That said, having looked at Miss M's more recent credit file, I can see that her financial situation appears to have deteriorated since December 2022, so I would remind Lendable of its obligation to treat Miss M positively and sympathetically when attempting to agree a repayment plan for the outstanding balance.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 13 December 2023.

Amanda Williams
Ombudsman