

The complaint

Mr R complains that Lendable Ltd irresponsibly lent him a loan.

What happened

Lendable lent Mr R a loan in July 2020, the loan was for £5,000 repayable over 60 months with 59 instalments of £162.10 and one instalment of £175.26.

When Mr R complained to Lendable, it didn't uphold his complaint and so he referred it to the Financial Ombudsman Service. One of our adjudicators considered the complaint and didn't recommend the complaint should be upheld.

Mr R disagreed and asked for his complaint to be reviewed by an ombudsman.

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.

Lendable is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. Briefly, it was required to carry out sufficient checks to ensure that Mr R could repay the borrowing in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences

Lendable has said before it lent to Mr R, he completed an application form where he declared his monthly income as £1,500 and the purpose of the loan as debt consolidation. Lendable also searched Mr R's credit file and said it thought about the effect of its loan on Mr R's finances after any debt consolidations.

The results of the credit search showed Mr R had a balance on his current account overdraft and around £1,350 balance on his credit card with £1,500 limit. Apart from these, there were no other active accounts with balances on his credit file. Lendable says it verified Mr R's income using credit reference agencies and he got a high confidence score and so it didn't think it needed to request bank statements. It said Mr R's low credit commitments compared to his income left with sufficient income to cover his monthly living costs and other expenses.

Based on these checks, Lendable thought Mr R had sufficient disposable income to afford the loan repayment over the term. It points to the fact Mr R repaid his borrowing within the term and didn't inform it of any financial difficulties.

The loan was committing Mr R to repayments for five years and in those circumstances, I'd have expected Lendable to consider Mr R's monthly living costs as well. I say this because even though he appeared to have a low debt burden, an understanding of his living costs would have given Lendable a reasonable picture of Mr R's finances and the impact of his loan over such a long period.

Mr R has provided bank statements, I've used this to get an understanding of Mr R's financial circumstances at the time. From what I can see his income was around £1,500 this included his wages and some benefits he received. Those bank statements also show Mr R's living costs were around £300. So even if Lendable had checked Mr R's living costs as I think it should. It'll likely have found that he could afford the loan over the term based on reasonable checks. Mr R's living costs and credit commitments appeared to be between £500 - £600 and that compared to his income meant he was left with sufficient disposable income.

In response to the adjudicator's view, Mr R has said he was borrowing from family and friends for day to day living. He also says he was in over £7,000 worth of arrears on his rent and had borrowed money from his parents.

Having carefully looked at Mr R's bank statements which he provided, it didn't appear to be dependent on borrowing, so I don't think this is something Lendable would have found from reasonable checks. I also haven't seen evidence Mr R gave Lendable this information when it agreed to lend to him.

I appreciate my findings will likely disappoint Mr R but based on reasonable checks and the available information, I don't think Lendable was wrong to lend.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 October 2023.

Oyetola Oduola
Ombudsman