

Complaint

Mr M has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to him.

He says the loan was unaffordable and so shouldn’t have been provided to him. He also says that the interest rate was very high and wasn’t made clear to him either.

Background

Everyday Loans provided Mr M with a loan for £2,000.00 in May 2023. This loan had an APR of 188.8% and a term of 24 Months. This meant that the total amount to be repaid of £5,118.48 (which included interest, fees and charges of £3,118.48) was due to be repaid in 24 monthly instalments of £213.27.

One of our investigators reviewed what Mr M and Everyday Loans had told us. And he thought that Everyday Loans hadn’t done anything wrong or treated Mr M unfairly. So he didn’t recommend that Mr M’s complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his 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 Mr M’s complaint.

Everyday Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Everyday Loans needed to carry out proportionate checks to be able to understand whether Mr M 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.

Everyday Loans says it agreed to Mr M’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out, payslips and bank account statements which Mr M was asked to provide.

In its view all of this information showed Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said he should never have been provided with this loan.

I've carefully thought about what Mr M and Everyday Loans have said.

The first thing for me to say is that while Mr M says that Everyday Loans didn't carry out a proper income and expenditure agreement, this wasn't a case of Everyday Loans accepting an over-optimistic declaration of his disposable income at face value. Mr M also signed documentation at the time indicating that Everyday Loans had carried out an income and expenditure assessment with him showing that the monthly payments were affordable.

Everyday Loans also clearly asked Mr M to provide quite a bit of documentation to support what he had declared during the course of his application. Indeed, Mr M was asked to provide bank statements and the circling and colour coding on them suggest that they were closely analysed during the assessment.

Everyday Loans' credit searches also showed the existing debts and defaults Mr M has referred to. The notes from the time suggest that Mr M was going to clear some of his existing debts and Mr M also explained the reasons for his amount of credit and previous difficulty. Mr M may consider that this was accepted at face value. But Everyday Loans already had his bank statements at this stage. So I don't think that there was more it could ask him to provide to prove what he was saying at this stage.

Furthermore, although this loan was expensive and the total amount Mr M owed was higher than what was advanced, Mr M would have been able to clear the balance on some of his revolving credit accounts which he was having difficulty keeping up with payments on. This would have provided him with lower fixed payments to repay what he owed on these accounts more gradually.

And Mr M would have been able to afford the repayments to this loan and would have had an increased monthly disposable income as long as he closed his revolving credit accounts once the balances were repaid rather than spending further on them.

Equally, as this was Mr M's first loan with Everyday Loans and he didn't have a history of taking consolidation loans and then return for further funds after failing to reduce his indebtedness, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr M's existing indebtedness in a way that was unsustainable or otherwise harmful.

I know Mr M has now provided further information and arguments stating that Everyday Loans ought to have seen that the loan was unaffordable. And I accept that Mr M says he experienced difficulty making the payments.

I'm sorry to hear about this. But Everyday Loans could only make a reasonable decision based on the information it had available at the time. The information it had at the time and which I've been provided with now all point to the loan being affordable at the time. As this is the case, I don't think that Everyday Loans did anything wrong when deciding to lend to Mr M.

In reaching my conclusion, I've thought about what Mr M has said about not being made aware of the amount of interest that he would have to pay on this loan. However, I've been provided with a copy of the loan agreement which Mr M signed before the funds for this loan were released.

The agreement sets out that the interest on this loan was £3,118.48 and this would result in Mr M paying a total amount of £5,118.48. As this was clearly stated on the loan agreement and Mr M signed it, even though it is fair to say that this was an expensive loan and Mr M may now regret having taken it, I can only assume that Mr M was prepared to proceed on these terms, at least at the time he agreed to them.

So overall I don't think that Everyday Loans treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 February 2024.

Jeshen Narayanan
Ombudsman