

Complaint

Miss A has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to her. She says the loan shouldn’t have been provided to her and made her position worse.

Background

Everyday Loans provided Mrs B with a loan for £7,150.00 in October 2022. This loan had an APR of 55.4% and the total amount to be repaid of £18,269.40, which included interest fees and charges of £11,119.40, was due to be repaid in 60 monthly instalments of £304.49. Most of the proceeds from this loan were used to settle outstanding balances directly with Miss A’s existing creditors including what was an existing loan with Everyday Loans.

One of our investigators reviewed what Miss A and Everyday Loans had told us. She didn’t think that Everyday Loans had done anything wrong and so didn’t recommend the complaint be upheld.

Miss A disagreed and asked for an ombudsman to look at the 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.

Having carefully considered everything, I’m not intending to uphold Miss A’s complaint. I’ll explain why in a little more detail.

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 Miss A’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 Miss A 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 Miss A’s application after she provided details of her monthly income and information on her expenditure. It says it cross-checked this against

credit searches it carried out and copies of bank statements which Miss A was asked to provide.

In Everyday Loans' view all of the information it gathered showed that Miss A could afford to make the repayments she was committing to.

On the other hand, Miss A has said she shouldn't have been lent to.

I've carefully thought about what Miss A and Everyday Loans have said.

The information provided from Everyday Loans credit search does show that Miss A had existing debts. But these were relatively well managed. Equally, having reviewed the bank statements obtained, I can't see anything on them which indicated Miss A wouldn't be able to make the repayments.

Furthermore, Everyday Loans appears to have ensured that the majority of the funds from this loan could only be used to repay Miss A's existing debts. So I'm satisfied that it took reasonable steps here to ensure that it wasn't increasing Miss A's existing indebtedness in a way that was unsustainable or otherwise harmful, as well as taking reasonable steps to ensure Miss A was able to make the monthly repayments.

I know that this loan wasn't cheap and did increase the length of time Miss A would have to make payments for. But there's no doubting that Miss A would have been able to afford the repayments and would have had an increased monthly disposable income as long as Miss A closed her credit card once the balance was repaid rather than spending further on it. Furthermore, this loan with fixed repayments allowed Miss A to make inroads into her credit card balance in a way that simply making the minimum monthly repayment would not.

I accept that Miss A says she experienced difficulty making the payments. And the reason why might have been because she did go on to re-establish balances on her revolving credit accounts. But Everyday Loans could only make a reasonable decision based on the information it had available at the time. It won't have known Miss A would do this – all it could do was take reasonable steps to ensure the balances would be repaid, which for the reasons I've explained I think it did.

As this is the case and Everyday Lending appears to have taken steps to 'restrict' the majority of the funds, I don't think that Everyday Loans did anything wrong when deciding to lend to Miss A - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having considered everything, I'm satisfied that Everyday Loans didn't treat Miss A unfairly or unreasonably when providing her with her loan. And this means that I'm not upholding Miss A's complaint. I appreciate this will be very disappointing for Miss A. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 10 June 2024.

Jeshen Narayanan
Ombudsman