

Complaint

Mrs A has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to her.

She says the loan was unaffordable as she was in a cycle of borrowing and therefore the loan should never have been provided to her.

Background

Everyday Loans provided Mrs A with a loan for £6,000.00 in May 2022. This loan was due to be repaid in 60 monthly instalments of just under £280.

One of our adjudicators reviewed what Mrs A and Everyday Loans had told us. And she thought that Everyday Loans hadn’t done anything wrong or treated Mrs A unfairly. So she didn’t recommend that Mrs A’s complaint be upheld.

Mrs A disagreed with our adjudicator and asked for an ombudsman to look at her complaint and make a final decision.

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 Mrs A’s complaint.

Having carefully considered everything, I’m not upholding Mrs A’s complaint. I’ll explain why in a little more detail.

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 Mrs 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 Mrs A’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and copies of bank statements that it

obtained. In its view all of this information showed Mrs A could afford to make the repayments she was committing to.

On the other hand, Mrs A has said she should never have been provided with this loan because of her existing financial position.

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

The first thing for me to say is that Everyday Loans carried out a credit check on Mrs A and obtained bank statements from her. So I don't think that this was a case of Everyday Loans simply accepting an over-optimistic declaration of monthly disposable income at face value. Everyday Loans' was aware that Mrs A had some existing debts. But this wasn't excessive when compared to Mrs A's monthly income. And Mrs A said that she was going to consolidate some of her existing debts too.

Equally, as this was Mrs A's first loan with Everyday Loans, I'm satisfied that it was reasonably entitled to rely on what it had been provided with. There wasn't anything obvious in the information gathered during this application which leads me to think that it wasn't reasonable to lend in these circumstances.

I accept that Mrs A's actual circumstances may not have been fully reflected either in the information she provided, or the information Everyday Loans obtained. I know that she says that she was paying out more than what showed in her bank statements. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that it was unreasonable for Everyday Loans to lend here.

Furthermore, as Everyday Loans obtained bank statements from Mrs A and considered these as part of her application, it's difficult for me to see what more it could have done to have found out about what Mrs A says wasn't showing in her bank statements. I say this while mindful that I've not been provided with anything that clearly shows the monthly payments were unaffordable.

As this is the case, I don't think that Everyday Loans did anything wrong when deciding to lend to Mrs A - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

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

Although I'm not upholding this complaint, I'd like remind Everyday Loans of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mrs A's loan and it be the case that she is experiencing financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 4 December 2023.

Jeshen Narayanan

Ombudsman