

Complaint

Mr S 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.

Background

Everyday Loans provided Mr S with a loan for £8,000.00 in March 2022. This loan was due to be repaid in 60 monthly instalments of £387.98.

One of our adjudicators reviewed what Mr S and Everyday Loans had told us. And he thought that Everyday Loans hadn’t done anything wrong or treated Mr S unfairly. So he didn’t recommend that Mr S’ complaint be upheld. Mr S 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 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 S could afford to repay before providing this loan.

Having carefully thought about everything, I’ve decided not to uphold Mr S’ complaint. I’ll explain why in a little more detail.

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 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 and Mr S’ bank statements which he was asked to provide. In its view all of this information showed Mr S could comfortably make the repayments he was committing to.

On the other hand, Mr S has said he should never have been provided with this loan because of his existing financial position.

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

The first thing for me to say is that Everyday Loans clearly asked Mr S to provide quite a bit of documentation to support his application. 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. Indeed, Mr S was asked to provide payslips and bank statements.

Everyday Loans' credit searches also showed the existing debts Mr S has referred to. But having reviewed the bank statements obtained, I can't see anything obvious on them which indicated Mr S wouldn't be able to make the repayments to this loan had he consolidated the debts he said he was going to.

I know that this loan did increase the length of time Mr S would have to make payments for. But there's no doubting that Mr S would have been able to afford the repayments and would have had an increased monthly disposable income as long as Mr S closed the accounts once the balances were repaid rather than spending further on them.

Equally, as this was Mr S's first loan with Everyday Loans, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr S' existing indebtedness in a way that was unsustainable or otherwise harmful.

I accept that Mr S says he experienced difficulty making the payments. And I suspect the reason is because Mr S ended up re-establishing balances on some of his revolving credit accounts, or didn't settle the balances as he promised to. But Everyday Loans could only make a reasonable decision based on the information it had available at the time.

Everyday Loans won't have known Mr S wouldn't close his revolving credit accounts and would retain balances on them. All Everyday Loans could do was take reasonable steps to ensure the payments would be affordable for Mr S and take reasonable steps to establish that he would clear his other debts like he said he would, which for reasons I've already explained, I'm satisfied it did so.

As this is the case, I don't think that Everyday Loans did anything wrong when deciding to lend to Mr S - 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 Mr S unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr S' complaint, I would remind Everyday Loans of its continuing obligation to exercise forbearance and due consideration should be the case that Mr S is experiencing difficulty and it chooses to collect payments from him.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 October 2023.

Jeshen Narayanan
Ombudsman