

Complaint

Mr W 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 W with a loan for £3,000.00 in March 2022. This loan had an APR of 77.7% and a term of 36 Months. This meant that the total amount to be repaid of £6,366.00 (which included interest, fees and charges of £3,366.60) was due to be repaid in 36 monthly instalments of just under £176.85.

One of our investigators reviewed what Mr W and Everyday Loans had told us. And she thought that Everyday Loans hadn’t done anything wrong or treated Mr W unfairly. So she didn’t recommend that Mr W’s complaint be upheld. Mr W 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 W’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 W 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 W’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 bank account statements which Mr W was asked to provide.

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

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

The first thing for me to say is that this wasn't a case of Everyday Loans simply accepting an over-optimistic declaration of disposable income at face value. Everyday Loans clearly asked Mr W to provide quite a bit of documentation to support what he had declared during the course of his application. Indeed, Mr W was asked to provide bank statements and the markings on the copies I've seen suggest that they were closely analysed.

Everyday Loans' credit searches also showed the existing debts and defaults Mr W has referred to. But the notes from the time suggest that Mr W said that this was because of difficulty due to previous issues which had now been resolved. Mr W may consider that this was accepted at face value. But Everyday Loans already had his bank statements at this stage and it's difficult to see what additional information it could ask for. So I think that asking Mr W about the defaults and carrying out a detailed income and expenditure was a reasonable method of reacting to what had been found out.

Furthermore Mr W also had answers for some of the returned payments on his account statements too. And he does appear to have been the case that there was a transferring of funds taking place. So it's not only clear that some detailed questioning and investigation took place and the answers provided weren't implausible, on the contrary they appeared to be supported by the rest of the information. It's also worth noting that the payments did appear to be affordable based on the information gathered too.

I know Mr W has now done his own income and expenditure and says this ought to have shown the loan was unaffordable. But he did sign the detailed one Everyday Loans carried out at the time, which was completed as part of a review with him and which had a disposable income that appeared to show the monthly payments were affordable. And as far as I can see, Mr W didn't take any steps to correct this information at this time.

I accept that Mr W says he experienced difficulty making the payments. I'm sorry to hear about what he's told us. And it's clear that Mr W's circumstances appear to have changed for the worse since he was provided with this loan. But Everyday Loans could only make a reasonable decision based on the information it had available at the time.

Everyday Lending won't have known that Mr W's circumstances would change in this way. 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 W.

So overall I don't think that Everyday Loans treated Mr W unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr W's complaint. I appreciate this will be very disappointing for Mr W. 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 W's complaint, I would remind Everyday Loans of its continuing obligation to exercise forbearance and due consideration should be the case that Mr W 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 January 2024.

Jeshen Narayanan
Ombudsman