

Complaint

Mr C 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 C with a loan for £5,500.00 in December 2022. This loan was due to be repaid in 48 monthly instalments of just under £270.

Mr C was provided with a loan by Everyday Loans in January 2018. But we’ve already explained why we aren’t looking at the complaint about this loan. So all reference to loan in this decision is made with reference to the loan Mr C was provided with in December 2022.

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

Having carefully considered everything, I’ve decided not to uphold Mr C’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 Mr C 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 C’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 C’s bank account transactions which he

was asked to provide. In its view all of this information showed Mr C could comfortably make the repayments he was committing to.

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

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

The first thing for me to say is that Everyday Loans clearly asked Mr C 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 C was asked to provide access to his bank account transactions.

Everyday Loans' credit searches also showed Mr C had existing debts. But having reviewed Mr C's account transactions, it isn't immediately obvious that Mr C wouldn't be able to make the repayments to this loan had he consolidated his existing debts in the way he said he was going to.

Furthermore, Everyday Loans took steps to ensure that Mr C would use the funds as he'd agreed to by issuing cheques for his existing debts to be cleared rather than further funds which Mr C would then use to settle his commitments himself. And although this loan was expensive, it did have a lower interest rate than some of Mr C's existing debts.

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

Equally, as this was Mr C's first loan, after some time, with Everyday Loans, I'm satisfied that it was reasonably entitled to believe that it wouldn't be increasing Mr C's existing indebtedness in a way that was unsustainable or otherwise harmful – especially as it was ensuring that some of Mr C's existing debts were settled.

I accept that Mr C says he experienced difficulty making the payments. And I suspect the reason is because Mr C ended up re-establishing balances on some of his revolving credit accounts. 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 C wouldn't close his revolving credit accounts and would instead spend on them again. All Everyday Loans could do was take reasonable steps to ensure the payments would be affordable for Mr C and take reasonable steps to ensure 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 C - 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 C unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. 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 C's complaint, I would remind Everyday Loans of its continuing obligation to exercise forbearance and due consideration should be the case that Mr C 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 September 2023.

Jeshen Narayanan
Ombudsman