

## **Complaint**

Mr C has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to him. He says he was declined for a loan by his own bank and needed money to consolidate his existing debts.

## **Background**

Everyday Loans provided Mr C with a loan for £5,000.00 in February 2019. This loan had an APR of 58.4% and was due to be repaid in 48 monthly instalments of £232.30. £4,517.82 of the proceeds from this loan were used to directly settle outstanding credit card balances Mr C had with other providers.

One of our investigators 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 considered everything, I’ve not been persuaded 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 copies of bank statements and payslips which Mr C was asked to provide. In its view, all of this information showed Mr C could to comfortably make the repayments he was committing to.

On the other hand, Mr C has said he was in financial difficulty and couldn't afford this loan.

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

The first thing for me to say is that Mr C was asked to provide copies of bank statements and payslips. So it wasn't simply a case of Everyday Loans just accepting what Mr C said at face value here. Everyday Loans credit searches also appeared to show that Mr C's existing debts appeared to be relatively well managed.

Mr C has referred to being in mortgage arrears the month prior to this loan. However, this didn't show up in the information Everyday Loans had. And while this might now show on Mr C's credit file, I think it may well have taken some time for this information to have updated with credit reference agencies when this happened. So I don't think that there is anything untoward in the fact that Everyday Loans' credit checks didn't show a missed mortgage payment.

Equally, having reviewed the bank statements obtained, I can't see anything on them which indicated Mr C wouldn't be able to make the repayments. The income going into Mr C's account broadly matched his declaration, when additional payments going into the account were included, and there wasn't anything to suggest the expenditure calculation was incorrect either.

Furthermore, the vast majority of the proceeds of this loan were used to clear the balances with two of Mr C's existing creditors. Everyday Loans also appears to have ensured that the earmarked funds could only be used to repay Mr C's existing creditors by issuing cheques to the providers, rather than funds to Mr C.

So I'm satisfied that it took reasonable steps here to ensure that it wasn't increasing Mr C's existing indebtedness in a way that was unsustainable or otherwise harmful, as well as taking reasonable steps to ensure Mr C was able to make the monthly repayments.

I accept that Mr C says he experienced difficulty making the payments. And the reason why might have been because he did go on to re-establish further balances once the outstanding ones were cleared. I'm also very sorry to learn that Mr C went on to fall ill after having taken out this loan.

But Everyday Loans could only make a reasonable decision based on the information it had available at the time. It won't have known Mr C's circumstances might change – all it could do was take reasonable steps to ensure the balances would be repaid, which it did by issuing cheques, it couldn't prevent Mr C accruing other debts elsewhere with other providers.

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 and it took steps to mitigate the possibility of Mr C's indebtedness increasing unsustainably.

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.

**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 18 September 2023.

Jeshen Narayanan  
**Ombudsman**