

The complaint

Mrs K has complained that Everyday Lending Limited trading as Everyday Loans lent to her irresponsibly.

What happened

Mrs K was given a loan of £7,500 by Everyday Loans in July 2014. The loan was due to be repaid in 48 monthly instalments of around £332. The total amount payable, including interest was just over £15,980. From what I understand, the loan was intended to pay off Mrs K's previous loan with Everyday Loans and to provide a balance in cash to her.

One of our adjudicators has looked into Mrs K's complaint. She didn't think Everyday Loans had been wrong to provide the loan. Mrs K didn't agree with the adjudicator's assessment, and so the complaint has been passed to me to make a final decision about the matter.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when deciding Mrs K's complaint.

I think there are some overarching questions I need to consider in order to decide what's fair and reasonable in the circumstances of this particular complaint:

- Did Everyday Loans complete reasonable and proportionate checks to satisfy itself that Mrs K would be able to repay her loan in a sustainable way? If so, did it make a fair lending decision? If not, what would reasonable and proportionate checks have shown at the time?
- Did Everyday Loans act unfairly or unreasonably in some other way?

Everyday Loans needed to take reasonable steps to ensure that it didn't lend irresponsibly. This means that it had to carry out proportionate checks to satisfy itself that Mrs K could repay her loan in a sustainable way. The lender's checks could take into account a number of different things, such as the loan amount, the repayment amounts and the consumer's income and expenditure. But there was no set list of checks that Everyday Loans had to do.

I think that a reasonable and proportionate check ought generally to have been more thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to

meet a higher repayment from a particular level of income); and

- the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period).

I've carefully considered all the evidence, arguments and information I've seen about this matter and what it means for Mrs K. I am not upholding her complaint and I shall explain why.

Given the amount being lent, the repayment amounts and the length of the loan term, I would expect a lender to take steps to gain a thorough understanding of the customer's true financial position. Everyday Loans carried out some checks before it gave the loan to Mrs K. This included asking for details of her financial circumstances and acquiring a credit report. Mrs K had recently returned to work following maternity leave. Everyday Loans reviewed her bank statements. It also clarified her salary position through a letter from her employer which confirmed her base pay plus an annual bonus.

Mrs K doesn't agree with the way that Everyday Loans used a generic percentage to assess the affordability of the loan. She thinks it didn't take into account the full costs of bringing up her family and it had acknowledged her as a higher risk borrower. Mrs K thinks that Everyday Loans should have realised that the loan was unaffordable because there were other loans recorded on her credit file and a payment made to another short-term lender was on her bank statements.

I've thought about this carefully. From what I've seen, there were no bankruptcies, defaults or County Court Judgments recorded on Mrs K's credit report. One loan was recorded as being 'live'. The Total Loan Balance outstanding was recorded as around £5,503 and the Total Revolving Balance from 2 revolving accounts was recorded as around £5,411. Other previous loans were recorded but these appear to have been settled. I don't think that Everyday Loans ought reasonably to have been concerned by the information showing on Mrs K's credit report.

I've also considered the bank statements that Everyday Loans reviewed. I can see that Mrs K was overdrawn leading up to the loan. I appreciate that she had recently made a payment of around £61.00 to another payday lender. But there is no apparent evidence on the bank statements of serious gambling or repeated borrowing from multiple short-term lenders – both of which might have suggested to a lender that the consumer was having difficulties managing her money or might be dependent on high cost borrowing.

In the circumstances, I think the checks that Everyday Loans carried out when Mrs K took her loan are likely to have been reasonable and proportionate. I can't fairly say that Everyday Loans ought reasonably to have concluded from its checks that Mrs K was having serious problems managing her money or that it ought to decline her application for the loan. Mrs K might not agree with the way that the lender assessed her application. But I've not seen anything which makes me think that Everyday Loans ought reasonably to have been aware that Mrs K might not be able to repay her loan sustainably.

I am sorry that Mrs K struggled to repay the loan. But from what I've seen I can't fairly say that Everyday Loans made an unfair lending decision when it provided the loan and I haven't seen anything which makes me think that the lender acted unfairly or unreasonably towards Mrs K in some other way.

My final decision

Having considered all the evidence provided to me and reflecting on what is most likely to have happened in the circumstances, I don't uphold Mrs K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 28 October 2020.

Sharon Parr
Ombudsman