

The complaint

Mr W complains about Everyday Lending Limited trading as Everyday Loans (ELL) and their decision to approve his application for a high interest loan.

What happened

On 12 June 2019, Mr W applied for a high interest loan with ELL. This application was approved, and ELL provided Mr W with a loan of £5,100. Mr W's repayments were £331.57 a month, over a 48-month term.

But Mr W missed his monthly repayment in September 2019. And in December 2019, he cancelled his direct debit. ELL attempted to contact Mr W on several occasions around this time, with limited success. They did this by phone, over e-mail and on two occasions, through field agent visits who attended Mr W's property. Mr W was unhappy with this, and the fact the loan had been approved in the first place. So, he raised a complaint.

Mr W complained about ELL's decision to approve the loan. He thought it should've been reasonably clear from the information on his credit file, and the fact he asked for the loan to be paid into a different account to the one he received his wages, that he was struggling financially. So, he thought ELL should've asked him for more information and he thought, if they had, it would've become clear Mr W had been suffering with a gambling addiction at the time. So, he wanted ELL to refund any interest and charges that had been accrued on the account and to agree an affordable repayment plan. He also wanted the loan to be removed from his credit file.

Mr W also complained about the way ELL attempted to contact him when they were chasing payment and he didn't think field agent visits were appropriate. So, he wanted to be compensated for the upset this caused.

ELL didn't agree. They thought they'd completed proportionate checks when approving the loan. And they thought they'd acted fairly as Mr W had confirmed he wanted to use the loan to clear the majority of his outstanding defaults showing on his credit file to help improve his credit score so he could apply for a mortgage. So, they thought the loan was affordable from the information they had available to them and didn't think they'd done anything wrong. They also felt they'd acted fairly by completing field agent visits when they were unable to speak to Mr W to arrange payment of the loan and its outstanding arrears. So, they didn't think they needed to do anything more. Mr W remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. She thought the checks ELL completed were proportionate, considering the loan amount, the monthly repayment and Mr W's income and residential status. And although she recognised there were defaults outstanding on Mr W's account, she didn't think this meant ELL should've automatically declined the application and Mr W was intending to use the loan to clear these.

Our investigator considered the outstanding credit Mr W had, his living expenses and his rent against his monthly income and she thought the monthly repayments were affordable, as it left Mr W with a reasonable remaining income. And she didn't think ELL had acted

unfairly when instructing field agents to attend Mr W's property, as she thought the communication between Mr W and ELL had broken down at that point and his account was in arrears. So, she didn't think ELL needed to do anything more.

Mr W didn't agree. He maintained his view that his request to have the loan paid into a separate account to the current account he received his income to should've raised questions for ELL. And the very least, he thought ELL should've asked further questions about this and if they had, he thought it would've become clear he was struggling financially due to a gambling addiction he had at the time. Mr W explained he was unable to obtain credit elsewhere and felt this showed his credit file reflected his difficult financial situation.

Mr W also commented on his credit file and didn't think our investigator had reviewed it fully. He thought it was clear he'd been missing payments in the run up to applying for the loan and again, he thought this should've made it clear to ELL that the loan wouldn't be affordable and would be placing him in further debt. And he didn't think the field agent visits were appropriate and that he'd been left worried and upset by these.

So, he maintained his stance that ELL should refund him the interest and charges the account had accrued, and that the loan should be removed from his credit file. And he thought ELL should arrange an affordable repayment plan on any amount left outstanding after this. As Mr W didn't agree with our investigator, the complaint has been passed to me for a decision.

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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr W. I've no doubt Mr W was suffering with a gambling addiction at the time he applied for the loan with ELL. And from the information I've seen, I'm satisfied this was causing him financial difficulty. So, I can understand why Mr W would look at the loan he was provided and feel it was approved irresponsibly, leading him into further debt. And I can appreciate how upsetting and worrying the time surrounding the loan approval would've been and the difficulty Mr W has faced trying to stabilise his finances and recover from the illness he was suffering.

But when considering the complaint, I've had to focus on the information available to ELL at the time. So, although I've received further information from Mr W which highlights the state of his finances, I'm only able to base my decision on what ELL would've reasonably known. And for me to say ELL have done something wrong, I'd need to be satisfied of one of two things. Either, that the checks they completed weren't proportionate to the loan they approved against Mr W's income. Or, if I think the checks were proportionate, that ELL failed to assess the information these checks provided fairly. And in this situation, I don't think that's the case.

I've first thought about the checks ELL made, and whether they were proportionate. There are no set amount of checks a lender such as ELL needs to make before approving a loan or credit application. Instead, the checks they make need to be proportionate to value of the loan, the monthly repayments and the customers declared income.

In this situation, I've seen Mr W's payslip which shows he earned £3,329.44 in May 2019, the month before he applied for the loan. But I recognise this included some overtime within it. I've seen the wage Mr W received for April, paid at the start of May, which amounted to £3,264.81. So, to account for the overtime I've seen Mr W received in May 2019, I've taken the average of both payments, which amounts to £3,297.16. I appreciate Mr W may have received overtime payments in both wages. But if this is the case, I think this shows a pattern of overtime Mr W was working, so I don't think it's unreasonable to deem this amount to be Mr W's average monthly income.

ELL approved a loan of £5,100, which I think is a reasonably low amount compared to the monthly income Mr W received. And the monthly repayments for this loan were set at £331.57, which equates to roughly 10% of Mr W's monthly income.

Before approving the loan, ELL considered Mr W's monthly income, his residential status and his contribution to rent and bills, his expected monthly expenditure, his last two months bank statements and the information provided on his credit file. I recognise the loan had a high rate of interest but I think ELL made extra checks to recognise this, by requesting to see a payslip from Mr W as well as recent bank statements. So, considering the total loan amount and the monthly repayment against Mr W's income, I think the checks ELL completed were proportionate.

As I think the checks ELL completed were proportionate, I've then gone on to consider whether they assessed the information these checks provided fairly.

Mr W doesn't think ELL considered the information shown on his credit file fairly, as he feels it showed he was in financial difficulty due to the number of defaults and missed payments that were reported. Mr W has provided a copy of his credit file he obtained in 2020, and I've looked through this. But as I've explained above, I must consider the information available to ELL at the time of their decision to lend. So, I've analysed the credit file they saw when they approved the application.

I don't think it's in dispute that Mr W had several defaults on his account at the time ELL approved the loan. But, I don't think this means Mr W should've been automatically declined for the loan. ELL have explained Mr W stated he wanted the loan in order to clear the majority of the defaults, so he was able to improve his credit rating in preparation for applying for a mortgage. Because of this, I wouldn't expect ELL to decline the application on the basis Mr W had existing defaults, as he was taking steps to settle them. And as there were defaults on Mr W's account, which he openly recognised himself, I think it's reasonable for ELL to assume there would be late payment markers recorded on Mr W's credit file as for a default to be recorded, payments would need to be missed. So again, I don't think late payment markers being present on Mr W's credit meant ELL should've automatically declined the loan.

And I've seen when ELL calculated the affordability of Mr W's loan, they took into consideration his existing creditor repayments that were listed on his credit file. They also calculate Mr W's living expenses based on his income, which I think were reasonable and in line with the way I'd expect them to be calculated. And from this, Mr W was left with a disposable income of almost £1,100. So, when the monthly repayment was taken from this remaining disposable income, ELL calculated that Mr W would be left with just under £750 a month disposable income. I think this was a reasonable amount and I don't think this suggested to ELL that the loan they were approving would be unaffordable.

Mr W has also said he thinks ELL should've been aware he was in financial difficulty, when he asked ELL to pay the loan into a different account to the account he received his monthly income. But I don't think that's the case.

I've seen ELL asked for statements from the account Mr W received his monthly income, as well as the account he wanted to receive the loan into. Both accounts were in Mr W's name and both accounts suggested Mr W was maintaining his finances well at the time of his application. It's not unusual for customers to have more than one current account, using a main account to receive an income and pay bills. And this is the impression ELL were given from the statements Mr W provided. I recognise Mr W has provided testimony regarding the information he was provided in branch that ELL were deviating from their usual process when paying the loan into another account. And this may have been the case. But there is nothing to say ELL shouldn't have done this. I think it's reasonable for me to assume Mr W requested the loan to be paid in this way and I don't think I can say ELL acted unfairly by honouring this request.

Mr W has explained he thinks this request should've prompted ELL to make further checks about other current accounts he held. And if they had, it would've become clear Mr W was suffering from a gambling addiction which was impacting his finances. I've seen statements separate to the ones ELL saw at the time which confirms Mr W was struggling at the time. But, crucially, I don't think the statements Mr W provided to ELL at the time of the application showed any gambling transactions or suggested Mr W was suffering from an addiction at the time.

Instead, the statements show Mr W was receiving an income and maintaining payments for his household bills and existing active credit. I appreciate the statements do show Mr W transferring money into other accounts, but again I don't think this is either uncommon or unusual for customers to do. As I've explained, customers regularly hold several current accounts where they manage and monitor their money. So, I don't think this was enough to suggest to ELL that they should complete further checks or ask for further information. So, I don't think I can say they've assessed the information available to them unfairly, or that they acted irresponsibly by approving the loan. And because of this, I don't think they need to do anything more.

I've then thought about the actions ELL took after Mr W's account fell into arrears. Mr W has explained his concern about ELL conducting field agent visits, with these agents attending his property. But as Mr W was in arrears, I think ELL were fair to take reasonable steps to receive payment from Mr W.

I've seen ELL attempted to contact Mr W on several occasions, through e-mail and by phone. And I've seen that most of the time, ELL's attempts were unsuccessful. In November 2019, ELL sent a message to Mr W explaining they needed to re-establish contact and that, if they couldn't, they may send a field agent to his property. Mr W then decided to cancel his direct debit in December. But after this, ELL were able to speak to Mr W and he made a payment in mid-December.

ELL then spoke to Mr W about his options and how to close his arrears. Mr W agreed to do so in January 2020. But Mr W made ELL aware during January that he was struggling to obtain the funds needed to make the payment and that he'd make payment on 7th February, to which ELL agreed. But this payment wasn't received and I can see ELL made several attempts to contact Mr W when the payment wasn't received but received no response. So, they took the decision to send a field agent to Mr W's address.

I don't think this was an unreasonable action for ELL to take, as they'd made Mr W aware previously that this was something they may do. And I think they'd acted fairly and reasonably by remaining flexible when Mr W explained he was struggling financially. Mr W didn't make payment on the agreed date and then ELL were unable to contact Mr W to discuss this further over the phone, through text and e-mail. So, I don't think I can say it was

unreasonable for ELL to send a field agent as they attempted to re-establish contact. I do appreciate this would've been upsetting and worrying for Mr W, and would've felt as though he was being harassed. But, from the information I've seen, I think ELL acted fairly as they'd exhausted all other forms of contact by that point. So, I don't think they need to do anything more.

I understand this isn't the outcome Mr W was hoping for. And I want to reassure Mr W I've placed serious consideration on his financial situation and the implications this decision may have. But for me to direct ELL to refund interest and charges, and alter Mr W's credit file, I'd need to be satisfied they did something wrong in the first place. And I don't think they have in this instance.

And I appreciate Mr W has referred other complaints to our service which have been upheld and because of this he feels as though this complaint should be decided in the same way. But we look at each complaint individually, on its own merits. So, even if this raised is similar to others he's made where received a more favourable outcome, this hasn't impacted the outcome I've reached

My final decision

For the reasons outlined above, I don't uphold Mr W's complaint about Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 August 2021.

Josh Haskey
Ombudsman