

The complaint

Mr G complains that Everyday Lending Limited (trading as Everyday Loans) granted him a loan that was unaffordable for him.

What happened

In October 2015, Mr G took out a loan for £2,000 with Everyday Lending. The loan was to be repaid over 24 months with the repayments set at £183.10 a month.

Mr G later complained that Everyday Lending lent to him irresponsibly because the loan was unaffordable for him. Everyday Lending said it had completed affordability checks which it believed were reasonable and proportionate. These showed the loan was sustainable as Mr G had disposable income.

Mr G remained unhappy, so he brought his complaint to our service. Our investigator looked into his concerns but didn't think Mr G's complaint should be upheld. He thought the checks Everyday Lending had completed were proportionate and these suggested the loan was affordable for Mr G.

Mr G disagreed with our investigator's view, so his complaint has been passed to me to decide.

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've decided not to uphold Mr G's complaint. I'll explain why.

The relevant rules, regulations and guidance required Everyday Lending to carry out reasonable and proportionate checks to ensure Mr G could afford to repay the loan in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Everyday Lending to think only about the likelihood of getting its money back. It also had to ensure that making the repayments wouldn't cause Mr G undue difficulty or have adverse consequences for him.

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

Everyday Lending gathered information from Mr G before the loan was agreed. It asked for information about his income and his housing costs. It verified Mr G's income by checking a payslip. It also checked his credit file and one month's bank statement.

Mr G's payslip showed he had a net monthly income of £1,869. Mr G indicated he was living with his parents and was paying £400 a month for his lodging. Everyday Lending took this

into account when calculating his expenditure. It used data from the Office of National Statistics (ONS) for Mr G's other living expenses. These were estimated to be around £954 a month. Everyday Lending used information from Mr G's credit file to work out his existing credit repayments (£154 a month). After taking away the monthly repayment for the loan Everyday Lending calculated that Mr G would be left with a disposable income of around £177.

Mr G's credit file indicated he had an overdraft of £1,879 and a mail order debt of £844. It showed Mr G had taken out a few pay day loans in the past six months, but these had mostly been paid off. The one remaining loan had an outstanding balance of £793. I can see the bank statement Mr G gave to Everyday Lending showed a repayment for another pay day loan. But Everyday Lending has noted that Mr G's reason for taking out the loan was to consolidate some of his existing debt and sort out his credit file. I don't think there was anything on Mr G's credit file that should have given Everyday Lending cause for concern or prompted it to carry out further checks. There were no recent defaults or county court judgments, for example.

Mr G has also told us he struggled with a gambling addiction when he took out the loan. I can see some gambling transactions on the bank statements he's sent us. But the bank statement he shared with Everyday Lending when he applied for the loan doesn't show any gambling transactions. Mr G has explained that some of the transactions on the bank statement he gave to Everyday Lending were payments to his mother, who helped him manage his finances because of his gambling issue. But I don't think this information alone is enough to say that Everyday Lending should reasonably have been aware that Mr G had a gambling problem.

I know my answer will be disappointing for Mr G. But having considered everything, I think Everyday Lending's checks were reasonable and proportionate in the circumstances. And these suggested the loan was affordable. So, I don't think Everyday Lending acted irresponsibly when it granted Mr G the loan.

My final decision

For the reasons I've explained, I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 May 2021.

Anne Muscroft
Ombudsman