

The complaint

Miss O complains that Everyday Lending Limited (“ELL”) lent to her in an irresponsible manner.

What happened

I issued a provisional decision on this complaint in August 2021. In that decision I explained why I didn’t think the complaint should be upheld. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Miss O was given a single loan by ELL in November 2017. She borrowed £5,870 and agreed to repay the loan in 42 monthly instalments. Miss O repaid the loan earlier than planned, in May 2019.

ELL gathered some information from Miss O before it agreed the loan. It asked her for details of her income, and her normal housing costs. It then used some industry statistical data to estimate Miss O’s normal expenditure. ELL checked Miss O’s credit file. And ELL used two months bank statements provided by Miss O to look at the rest of her finances.

Miss O was entering into a significant commitment with ELL. She would need to make monthly repayments for a period of more than three years. So I think it was right that ELL wanted to gather, and independently check, some detailed information about Miss O’s financial circumstances before it agreed to lend to her. I think that the checks ELL performed were sufficient to achieve that level of scrutiny – I think ELL’s checks were proportionate.

But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information shown by those checks. Those results might sometimes lead a lender to undertake further enquiries into a consumer’s financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. So I’ve looked at the results of the checks ELL performed to see whether it reached a fair decision to lend to Miss O.

Miss O’s credit file showed that she was using a number of different lines of credit. She had six active credit cards with balances that were at, or in some cases slightly above, the agreed credit limit. She had a catalogue shopping account that was again slightly above the agreed credit limit. And Miss O had another long-term loan that she had taken out in April 2015. The credit check also showed that Miss O had recently taken two payday loans.

Miss O's repayment records across all her credit accounts were good – her credit file showed that she had very rarely missed a contractual repayment. So I think that might have given ELL some confidence in Miss O's ability to manage her finances. But the amount of credit that Miss O was using, and her more recent use of payday loans might have caused some concerns to ELL. I can see that those concerns were addressed with Miss O as part of ELL's application process.

Miss O told ELL that she wanted to use the loan to clear her outstanding credit card balances before closing those accounts. And she said that she would also use the loan to repay the two payday loans she'd recently taken. She explained that those were the only payday loans she'd ever taken, and had resulted from a temporary fluctuation in her income caused by changes to her tax code. I think that the explanations Miss O provided to ELL were plausible and that it was reasonable for ELL to rely on what Miss O had said.

The bank statements that Miss O provided to ELL covered both the accounts that were shown on ELL's credit check. They provided a picture of Miss O's finances over the previous two months. The bank statements supported what Miss O had said to ELL about not paying any housing costs – I understand that she lived with her parents. And they didn't show any evidence of other financial problems such as significant amounts of gambling transactions, heavy overdraft use, or multiple payments being returned unpaid. They showed that generally Miss O's spending was well managed within the funds she had available to her.

After using the loan from ELL to repay her credit cards and payday loans, Miss O would be left with just the long-term loan she opened in 2015 and her catalogue shopping account. I have considered that the amount she would need to repay to ELL each month would be greater than the minimum payments that were needed on the credit card accounts. But I think that misses the point that here Miss O was placing her finances onto a far more stable and secure footing. By saying that she would repay, and then close, her credit card accounts she was ensuring that she had a far clearer picture of what her monthly expenditure would be. And it seems to me, from the information that ELL gathered, that Miss O would be able to afford her combined monthly repayments alongside her other normal expenditure.

I don't currently think that the results of ELL's checks should have led the lender to conclude that it would be likely that Miss O would struggle to repay its lending in a sustainable manner. I appreciate that my provisional decision will be disappointing for Miss O, but I don't currently think that ELL did anything wrong in giving her the loan.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. ELL hasn't provided us with anything further. The claims management company that is representing Miss O on this complaint has told us that Miss O obviously doesn't agree with my provisional findings. But it has also told us that it has nothing further to add.

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.

Given that neither party has provided me with any new evidence or further comments, I see no reason to alter the conclusions I reached in my provisional decision. As I said in that decision, I appreciate that my findings will be disappointing for Miss O, but I don't think that ELL did anything wrong in giving her the loan.

My final decision

For the reasons given above, and in my provisional decision, I don't uphold the complaint or make any award against Everyday Lending Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 10 November 2021.

Paul Reilly
Ombudsman