

The complaint

Mrs D complains that Everyday Lending Limited granted her a loan that was unaffordable for her.

What happened

In late 2018, Mrs D took out a loan for £1,000 with Everyday Lending. The loan was to be repaid over 24 months with the repayments set at £123.84 a month. The APR was 249.5% and total amount to be repaid was £2,972.16.

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

Mrs D remained unhappy, so she brought her complaint to our service. She said Everyday Lending hadn't made her aware of the very high interest rate when she took out the loan. It also hadn't looked into the gambling problem she'd had at the time. She raised concerns about the way Everyday Lending had treated her after she'd made it aware that she was struggling to make her repayments. She also commented that it hadn't looked into the criteria for guarantors on her account as if it had, it would have found that a relative was on state benefits and disabled.

Our investigator looked into Mrs D's complaint but didn't think it should be upheld. She thought the checks Everyday Lending had carried out were proportionate and it looked like the loan repayments were affordable. She said there was nothing in the information that suggested Mrs D had a gambling problem. She also thought Everyday Lending had treated Mrs D fairly when she had fallen into arrears. She also explained that there wasn't a guarantor on the loan. The relative Mrs D had referred to was listed as a contact.

Mrs D disagreed with our investigator's view. She said her bank statements clearly showed lots of small payments which were for raffles (i.e. gambling). She had a County Court Judgment (CCJ) which should have prevented her from getting the loan. She said she never had any disposable income and also paid for childcare for two kids. So, her 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 Mrs D's complaint. I'll explain why. The relevant rules, regulations and guidance required Everyday Lending to carry out reasonable and proportionate checks to ensure Mrs D 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 Mrs D undue difficulty or have adverse consequences for her.

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 Mrs D before the loan was agreed. It asked for information about her employment and housing costs. It verified Mrs D's income from bank statements. It also checked her credit file.

Everyday Lending calculated Mrs D's total income (from her salary, working tax credits and maintenance payments) to be £2,265.48 a month. It's noted that Mrs D said her rent was £200 a month but it could see a transaction of £350 to her landlord, so it used the higher figure in its affordability calculation.

Everyday Lending worked out that Mrs D had commitments totalling £783.89, which included repayments to creditors, childcare costs and payments towards her CCJ. It says it used statistical data to estimate Mrs D's living expenses, which took into account her income, region, household composition (number of adults and children) and residential status.

The affordability calculation Everyday Lending carried out gave Mrs D a monthly disposable income of £293.75 after taking into account her monthly repayments for the new loan.

Mrs D says Everyday Lending shouldn't have granted her the loan because she had a CCJ. I can see evidence of this on the information Everyday Lending gathered from her credit file. But the credit file also shows that Mrs D was up to date with her existing credit commitments and there were no recent defaults. It was up to Everyday Lending to decide the risks it was willing to take when extending the loan, as long as it took adequate steps to ensure the lending was affordable for Mrs D.

Mrs D says she had a gambling problem when she took out the loan. She feels Everyday Lending should have been aware of it at the time. I can see there are a number of small transactions to various people on the bank statement Everyday Lending reviewed. But I can also see that Everyday Lending has noted Mrs D said they were payments to friends. I appreciate Mrs D's point about gamblers not admitting to gambling. But I can't say Everyday Lending should reasonably have been aware that Mrs D was had a gambling problem from the information it saw.

Having considered everything, I think Everyday Lending's checks were reasonable and proportionate in the circumstances. And they showed the loan was affordable.

Mrs D has also complained about the way Everyday Lending treated her when she fell behind on her loan repayments. Everyday Lending's notes show that it attempted to contact Mrs D several times to discuss the arrears on the account, leaving voicemails and text messages. It's noted that Everyday Lending asked Mrs D to come in to complete an income and expenditure form so a payment plan could be arranged. I can see an arrangement was made for the arrears. Later on, Everyday Lending was unable to get hold of Mrs D once again. But it sent her correspondence saying it was willing to work with her but needed to speak to her first. From what I've seen and been told, the account subsequently went into default and the debt was sold after no further contact from Mrs D. While I don't doubt that Mrs D was having difficulty repaying the loan, I can't say that Everyday Lending acted unfairly because it did attempt to contact her to discuss repayment options.

Mrs D has also complained that Everyday Lending didn't make her aware of the high interest on the loan. I appreciate the amount Mrs D was asked to pay back is significantly higher than what she borrowed. But the credit agreement makes no attempt to disguise how costly the loan is. It clearly sets out the terms of the loan, including the total amount to be repaid. As Mrs D accepted these terms and the payments appeared to be affordable, based on the information it had at the time, I can't say Everyday Lending acted unfairly when it provided the loan.

I know my answer will be disappointing for Mrs D. But I hope she'll understand the reasons for my decision and she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I don't uphold Mrs D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 16 December 2021.

Anne Muscroft
Ombudsman