

The complaint

Ms Q complains that Everyday Lending Limited (“ELL”) lent to her in an irresponsible manner. And she further complains that ELL failed to treat her fairly when she faced problems repaying the loan.

What happened

I issued a provisional decision on this complaint in November 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;

Ms Q was given a single loan by ELL in June 2019. She borrowed £5,000 that she agreed to repay in 36 monthly instalments. Ms Q has faced problems repaying her loan and it has been defaulted.

ELL gathered some information from Ms Q 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 the remainder of Ms Q’s expenditure. It checked her credit file to see how much she was paying to other lenders and how she’d managed credit in the past. And it looked at copies of Ms Q’s bank statements to verify the information she’d provided.

Ms Q was entering into a significant commitment with ELL. She would need to make monthly repayments for a period of three years. So I think it was right that ELL wanted to gather, and independently check, some detailed information about Ms Q’s financial circumstances before it agreed to lend to her. I think that the checks I’ve described above were sufficient for ELL to achieve that aim – 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 ELL’s checks to see whether it made a fair lending decision.

The income and expenditure information that Ms Q provided, and ELL estimated, suggested that she would be able to make her repayments in a sustainable manner. So in the first instance I think it was reasonable for ELL to conclude that the loan was likely to be affordable.

The credit check results showed that Ms Q had generally managed her credit well in the past. I think ELL might have had some concerns about the number of active credit accounts that Ms Q was using – and that some of her credit and store card accounts were at, or slightly above, their agreed credit limits. And Ms Q had taken another relatively large guarantor loan just seven months before. So I think it was right that ELL probed a bit deeper into Ms Q's finances by looking at her bank statements.

Ms Q's bank statements don't show any evidence of serious financial problems such as excessive use of an overdraft, multiple other credit repayments, or regular unpaid transactions. They corroborated what she'd said about her income and normal expenditure.

So taking all that information together I don't think it was unreasonable for ELL to conclude that it was likely Ms Q would be able to repay the loan in a sustainable manner. I don't think ELL did anything wrong by agreeing to give the loan to Ms Q.

Around three months after the loan had been taken Ms Q stopped making her contractual repayments. ELL says that it tried to get in touch with Ms Q to understand whether she was facing any problems and to look at what it could do to assist. It says that around two months later Ms Q sent an email to explain that she had recently become a single parent and was struggling to meet her repayments. She offered a monthly repayment of £100 rather than the £307 she was contracted to pay.

ELL responded to Ms Q that it would be helpful if she could provide further bank statements showing her financial problems, and to update the income and expenditure information she'd previously provided. Ms Q didn't respond to that request, and ELL sent three further emails in November and one in January that received no response. ELL also tried unsuccessfully to make contact with Ms Q by telephone in November and December.

In February 2020 Ms Q complained to ELL about the way it was handling its contact with her. ELL responded by email asking Ms Q to get back in touch to discuss her payment difficulties and providing her with details of a charitable organisation that might be able to assist her. And it sent a further email in March when it had still heard nothing back from Ms Q.

In March and April, there was some limited email correspondence between Ms Q and ELL. Ms Q advised that she had been in touch with a debt charity and so ELL placed her account on hold for 30 days to allow the charity to get in touch. However, when it heard nothing further, and taking account of the previous problems it had in getting in touch with Ms Q, ELL decided to default the account in June 2020.

When Ms Q explained she was facing problems making her repayments the regulator would expect ELL to take steps to ensure that she was treated fairly, with forbearance and with due consideration. It provided firms with a number of examples of this sort of behaviour including the consideration of reducing or waiving future interest charges, allowing the payment of arrears to be deferred, or accepting token payments for a reasonable period of time.

But it is my understanding that the regulator's guidance isn't intended to leave debts outstanding for an indefinite period of time. Instead the requirement for lenders to show forbearance and due consideration to consumers who are facing financial difficulties is to allow a reasonable period of breathing space for consumers, facing an unexpected fall in their disposable income, to review their options.

I think that the steps I've described above were sufficient for ELL to meet its regulatory obligations. ELL didn't receive any payments from Ms Q for a considerable period of time, nor did she offer any evidence of the financial problems she said she was facing. And after allowing a further period of time for the debt charity to get in touch, it was reasonable for ELL to conclude that Ms Q wasn't likely to continue to service her debt. I haven't seen anything that makes me think that ELL treated Ms Q unfairly either in the way it contacted her, or in its decision to default her account.

I have considered that the default was added whilst Ms Q's complaint was with this Service. There is no requirement for lenders to pause any normal collection activity whilst we consider a complaint. Obviously, should we find a complaint should be upheld, then any actions a lender has taken might need to be reversed. However since I consider that the loan was provided responsibly, I don't think it unreasonable for ELL to have continued with its normal collection activity and so defaulted Ms Q's account.

I understand how disappointing my decision will be for Ms Q. And I want to offer my sympathy for the events that led her into both originally taking the loan, and then being unable to afford her repayments. But I don't currently think that ELL was wrong to give the loan to Ms Q, nor did it treat her unfairly when she failed to make her repayments.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. ELL has said that it accepts my provisional findings. Ms Q disagrees with what I said, and has provided some further comments. Although, here, I am only summarising what Ms Q has said I want to reassure her that I have read, and carefully considered, her entire response.

Ms Q says that ELL has missed out a lot of important information in its description of their relationship. She says she contacted the lender in October 2019 when she began to face financial difficulties. She says that she asked the lender to communicate with her by email. But she says that ELL then hounded her with telephone calls that made her mental health problems worse. She says that as a result she wasn't able to engage with the lender for a number of months.

Ms Q says that the check of her credit file should have shown that her credit rating had been poor for many years. She says she applied for the loan to help her partner pay off some gambling debts. But instead her partner gambled the proceeds of the loan and left her responsible for the debt.

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.

I've thought carefully about what Ms Q has said following my provisional decision. But I'm sorry to tell her that her comments haven't caused me to alter my original conclusions. I would however like to provide some additional commentary on the points she has raised.

I would expect ELL to have followed Ms Q's stated preference to discuss her problems in making her repayments by email. But in order for that to be effective, Ms Q would need to actively engage with ELL's reasonable requests. As I explained in my provisional decision ELL says it asked Ms Q to update the information she previously provided about her income and expenditure, and supply some more recent bank statements. When she failed to provide

that information I cannot say it was unreasonable for ELL to attempt to make further contact with her. And since its emails were not getting any response, trying to contact her by phone seems to me to be a reasonable way forward.

In my provisional decision I discussed what ELL saw from the results of its credit check. That wasn't an entirely positive picture, with multiple credit accounts and some being above their agreed limits. So as I explained I think it was right that ELL looked to gather some additional information, from Ms Q's bank statements, about her financial situation. And since that additional information didn't show Ms Q facing any problems I don't think it was unreasonable for the loan to be agreed.

Ms Q has explained the background to her taking this loan. And it is understandable from that explanation why ELL's checks might not have shown that *she* was facing problems managing her money – it's more likely problems would have been shown with her partner's finances. But that wasn't information she gave to ELL when she asked for the loan, nor is it something that ELL should reasonably have discovered from its checks.

As I said in my provisional decision I have sympathy for the events that led Ms Q into both originally taking the loan, and then being unable to afford her repayments. But I don't think that ELL was wrong to give the loan to her, nor did it treat her unfairly when she failed to make her repayments.

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 Ms Q to accept or reject my decision before 8 February 2022.

Paul Reilly
Ombudsman