DRN-3254330

The complaint

Ms W complained that Everyday Lending Limited trading as Everyday Loans acted irresponsibly when it gave her an unaffordable loan.

What happened

Ms W took out a single loan with Everyday Loans as follows:

Date taken	Amount	Term	Monthly repayment	Total amount repayable	Loan status
20/9/2018	£2,000	18 months	£235.54	£4,239.72	Outstanding

Ms W mainly complained that Everyday Loans didn't properly check her income and bank statements when she had another loan and a gambling history.

After a full investigation, our adjudicator ultimately didn't uphold Ms W's complaint. Ms W disagreed with our adjudicator's view so her complaint comes to me to make a final 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.

I have also taken into account the law, any relevant regulatory rules and good industry practice at the time. I'd like to reassure Ms W that I've looked at the complaint afresh – and I've independently reached the same conclusions as our adjudicator. I'll explain why I say this.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

I’ve thought carefully about what this all means for Ms W’s complaint.

Everyday Loans asked Ms W about her income and recorded a figure of around £1,621 which it worked out based on an average of her recent pay plus benefits she received. Everyday Loans also carried out credit checks to gain an understanding of Ms W’s credit history and her current credit commitments. These showed that Ms W owed £361 on an unsecured loan and a further £622 on credit cards. Everyday Loans was also able to look at some recent bank statements which Ms W provided as part of the loan application process.

When assessing affordability, Everyday Loans noted that Ms W didn’t pay any housing costs – another member of her household paid the mortgage. It also relied on statistical information and factored into its calculations an amount that reflected the typical monthly expenditure someone in Ms W’s position might reasonably expect to pay. As well as this, Everyday Loans included an extra ‘buffer’ for any minor fluctuations in Ms W’s income or expenses or in case she needed to meet an unplanned expense.

Everyday Loans calculated that Ms W needed to pay around £71 per month towards her existing credit commitments and her total monthly expenditure was around £781 on these figures. So Everyday Loans worked out that her disposable income would be around £604 *after* paying for her new loan with Everyday Loans.

I think the checks undertaken by Everyday Loans were proportionate in the circumstances and that it was reasonable to conclude that the loan repayments looked like they should’ve been comfortably affordable for Ms W based on the information it had gathered.

I think it’s fair to say that from a responsible lender’s point of view, Ms W’s total indebtedness wouldn’t have seemed unreasonable or excessive for someone in Ms W’s position. The bank statements Everyday Loans saw, which can give a useful insight into someone’s overall financial situation, mainly showed that Ms W seemed to be managing her money reasonably well. I don’t think they showed enough to suggest that Ms W was facing serious problems managing her money.

It isn’t unusual for applicants for this type of high cost loan to have a credit history showing other borrowing or an impaired credit record – and these things wouldn’t necessarily be reasons to prompt a responsible lender to decline a loan application if the loan otherwise looked affordable. Also, whilst some limited evidence of gambling was apparent on the bank statements Everyday Loans saw, it didn’t look like this spending was excessive or out of control – Ms W had money in her bank account to cover this spending, the amount was well within the disposable income Everyday Loans’ affordability calculations suggested she had and it was up to Ms W to decide how she wanted to spend this.

All in all, I wouldn’t have expected the information Everyday Loans saw in its credit checks and on the bank statements Ms W provided to have given Everyday Loans any particular cause for concern.

I've also taken into account that Everyday Loans understood that the loan was intended in the immediate short term to pay some fees Ms W had to meet but then it was going to form part of an overall plan for debt consolidation – in other words, Ms W said she would use the loan to repay other debt . I think in these circumstances Everyday Loans was reasonably entitled to take a view that this suggested Ms W was borrowing with a view to help her manage her finances more efficiently and responsibly. It looked like she ought to be able to afford to do that on the figures it worked out.

And the loan would have been enough to clear all of the outstanding debt Everyday Loans saw on the credit checks it obtained and help with fees. Using the loan to repay credit cards could've saved on credit card interest as it looks like Ms W was often making only minimum monthly repayments to her cards which adds very significantly to the long term cost of that credit – repayments at that level are insufficient to make any meaningful inroads into card balances. Even if she hadn't used the loan for debt consolidation it appeared that the loan monthly repayments should still be comfortably affordable for her out of disposable income.

To sum up, I don't think there was enough in the information that Everyday Loans could see that would've made it realise that Ms W couldn't afford to pay this loan in a sustainable way. I think the checks that Everyday Loans carried out before it agreed to provide the loan were proportionate and that it was entitled to rely on the information it acquired which showed that this loan looked sustainably affordable for Ms W.

I'm sorry that Ms W finds herself in financial difficulty. I accept that Ms W's financial situation possibly wasn't fully reflected either in the information she provided or the other information Everyday Loans obtained. But in order to uphold this complaint I have to be able to say a lender acted unfairly or unreasonably in some way. And whilst I can see that Ms W took out a further loan for £550 with another provider of high cost credit the same day she obtained this loan, Everyday Loans couldn't have known about this at the time.

It looks like a run of gambling transactions followed a few days after the loan was paid into her bank account. But I can't fairly say this was reasonably foreseeable based on Ms W's track record seen by Everyday Loans – especially as she had given a plausible explanation for needing the loan and her previous gambling spending had been more moderate.

Looked at overall, I don't think that Everyday Loans did anything wrong in deciding to lend to Ms W. It did sufficient checks in the particular circumstances of this loan application and made a fair lending decision based on the information it obtained. So I haven't identified any reasons that mean it would be fair for me to make any award of redress against Everyday Loans and there's nothing it needs to do to put things right. I appreciate that my decision is going to disappoint Ms W. But I hope that setting out the reasons as I've done will help explain how I've reached my decision.

Ms W has sent me some information from her doctor and I am sorry that she has been through such a difficult time. I expect Everyday Loans to work constructively with Ms W and to treat her positively and sympathetically if she is continuing to experience financial difficulty. I would encourage Ms W to provide details of her financial situation to Everyday Loans if she still needs time to pay the outstanding balance on the loan. And if Ms W would like help to manage her finances there's more information about how to get free debt advice and other support on our website – or we can provide contact details if she gives us a call.

My final decision

For the reasons I've given, I don't uphold Ms W's complaint and I make no award against Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 25 May 2022.

Susan Webb
Ombudsman