DRN-3284985

The complaint

Mr P complained about a loan Everyday Lending Limited trading as Everyday Loans provided to him. He said the lender didn't check properly that the loan was affordable and given the evidence it saw that he was gambling, Everyday Loans should've realised his vulnerability and not provided the loan.

What happened

The main loan details are as follows:

Date taken	Amount	Term months	Monthly payment	Amount repayable	Loan status
19/10/2020	£2,500	36	£207.92	£7,485.12.	outstanding

One of our adjudicators reviewed what Mr P and Everyday Loans had told us and he didn't think that we'd seen enough to say that Everyday Loans shouldn't have provided this loan. So he recommended not upholding Mr P's complaint.

Mr P disagreed and asked for an ombudsman to look at this complaint.

In brief summary, Mr P said Everyday Loans should've realised that the extent of his gambling spending, which his bank statements would have shown was increasing to unaffordable levels, should have caused alarm bells and the loan shouldn't have been provided.

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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr P's complaint. I'd like to reassure Mr P 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.

Everyday Loans needed to make sure that it didn't lend irresponsibly. In practice, this means that Everyday Loans needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay before it provided this loan. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Everyday Loans says it agreed to Mr P's application after he provided details of his monthly income and expenditure. It also looked at bank statements Mr P provided in support of his application dating back 3 months or so and did its own credit checks to understand his credit history and see what he was paying for existing credit commitments.

Everyday Loans looked at Mr P's payslip information and recorded his monthly income was around £2,207. Everyday Loans also relied on nationally available statistics when thinking about Mr P's likely expenditure and it included an extra 'buffer' to account for any change in circumstances or one-off additional expenses. After seeing his existing credit commitments, based on all this information, Everyday Loans said Mr P should've been able to afford the monthly repayment on this loan as he should still have had around £677 spare cash left each month *after* paying for this loan.

I've carefully thought about what Mr P and Everyday Loans have said.

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

I don't think that there was enough to see in the information Mr P provided or the other information Everyday Loans had recorded, which meant that Everyday Loans should've taken more steps to check the information Mr P had declared. And I think the checks were enough to support Everyday Loans lending decision.

In saying this, I've thought very carefully about the information Mr P thinks should've been enough to have put Everyday Loans off lending to him – specifically, what it saw and/or should've realised about his gambling.

I think it's fair to say that we'd expect a responsible lender seeing signs of excessive or out of control gambling spending not to approve a loan application where there's a real risk that the money would fund further gambling and be detrimental to the borrower. But I don't think Everyday Loans saw enough for me reasonably to say that it ought to have realised that this was Mr P's situation. In saying this, I acknowledge that Everyday Loans did see signs that Mr P had previously had a big monthly spend on gambling that would have more than used up the remaining disposable income that Everyday Loans worked out he should have each month. But, set against this, Everyday Loans also saw that the month after he spent just £50 on betting. So I can see why the lender might reasonably have taken a view that Mr P's gambling was, to some extent at least, under his control and he was able to rein back his spending on betting when he needed to.

Although Everyday Loans could see that his most recent monthly spending on gambling had increased to around £678 this was almost exactly the amount of spare cash that Everyday Loans affordability calculations suggested he had – and of course, it was up to Mr P to decide how he wanted to spend this.

Our adjudicator worked out Mr P's *average* spending on gambling over the three month period running up to him taking out this loan and I think it was useful to think about this. The figures shown reveal that looking at things this way meant Mr P spent an average amount of around £485 per month gambling. But this doesn't affect the outcome of this complaint because that amount was well within the disposable income figure that Everyday Loans thought Mr P should have available to spend as he wished – after meeting all this other credit commitments and paying for its loan. So this makes no overall difference to the outcome.

Mr P's most up to date bank statement showed that he'd gone over his arranged overdraft limit – but I don't think that on its own was enough to make Everyday Loans think it shouldn't provide this loan. That appeared to be the only time this had happened so far as can be seen – previously Mr P had stayed within his arranged £250 overdraft limit, further suggesting that he was effectively managing his spending on gambling.

Everyday Loans understood that Mr P was going to use some of the loan for debt consolidation – in other words, Mr P said he would use the loan to repay other debt. I think that would've seemed a plausible reason to borrow – and also he intended to buy some furniture, which would also have seemed a valid reason to borrow this loan.

I've taken into account that Mr P also mentioned a further £500 loan taken out on 28th September 2020 which Everyday Loans hadn't accounted for. But it isn't surprising that this didn't yet show on the credit checks Everyday Loans did – and, as far as I can see, the latest banking information Mr P provided to Everyday Loans for that account only went up to around 17th September 2020. So if Mr P didn't mention this I don't think I can fairly say that Everyday Loans should've found out about it. Even if it didn't have the most up to date information, I think the checks it did were broadly fair and reasonable in the particular circumstances of this loan. And I'm not persuaded that knowing about this loan would've been enough of a reason for Everyday Loans not to lend. It isn't unusual for applicants for this type of high cost loan to have other borrowing and this wouldn't necessarily be a fair reason to prompt a responsible lender to decline a loan application if it otherwise looked affordable – as I think it would've done.

To sum up, Everyday Loans worked out (in a way that seems broadly fair to me) that Mr P should have had a reasonable amount of spare cash each month to enable him to afford this loan. And I don't think it saw enough information of sufficient concern for me to say it should've realised the loan wasn't going to be sustainably affordable for Mr P.

Overall, I don't think that Everyday Loans treated Mr P unfairly or unreasonably when providing him with this loan. As this is the case, I'm not intending to uphold the complaint. I appreciate this will be very disappointing for Mr P. But I hope he'll understand the reasons for my decision and he'll at least feel his concerns have been listened to.

Although I'm not intending to uphold Mr P's complaint, I will just take this opportunity to remind Everyday Loans of its obligation to exercise forbearance in light of Mr P's apparent difficulty repaying this loan, should it choose to collect payments from him. This means that Mr P can expect Everyday Loans to treat him positively and sympathetically in any discussions.

And if Mr P would like help to manage his finances or to speak to someone about his situation generally, there's more information about how to get free debt advice and other help on our website – or we can provide contact details if he gives us a call.

My final decision

For the reasons I've explained, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 30 March 2022.

Susan Webb
Ombudsman