DRN-3291276

The complaint

Mr G complains that Everyday Lending Limited ("Everyday Loans") lent to him in an irresponsible manner.

What happened

Mr G was given a loan by Everyday Loans. It was for around £3014 and was due to be repaid over 24 months. Mr G took this loan out in March 2020 and the monthly repayment would be £264.68.

Mr G's complaint has been assessed by one of our investigators. He thought that the checks Everyday Loans had carried out had been proportionate. After reviewing all of the documentation sent by both parties, he felt Everyday Loans had made a fair lending decision.

Mr G didn't agree with our investigator. He said he was in a bad place at the time and was gambling heavily. He said if Everyday Loans had seen more of his bank statements it would have seen all this and shouldn't have given him the loan.

So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr G accepts my decision it is legally binding on both parties.

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 set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Mr G's complaint.

The rules and regulations at the time Everyday Loans gave these loans to Mr G required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Everyday Loans had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr G. In practice this meant that Everyday Loans had to ensure that making the repayments wouldn't cause Mr G undue difficulty or adverse consequences. In other words, it wasn't enough for Everyday Loans to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mr G.

Checks also had to be "proportionate" to the specific circumstances of each loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Everyday Loans did what it needed to before agreeing to lend to Mr G.

Everyday Loans gathered some information from Mr G before it agreed to lend. It asked Mr G about his income and expenditure. It says it verified his income by checking a payslip and used Office of National Statistics (ONS) data to assess his living expenses. It carried out a credit check and used this to work out his credit commitments. It also asked for 2 months' worth of bank statements from Mr G and checked these also.

Mr G was entering into a significant commitment with Everyday Loans. He was agreeing to make monthly repayments for a period of two years for £264.68. This represented a sizable proportion of Mr G's monthly income. So, I think it is right that Everyday Loans wanted to gather, and independently check (regarding his income and through the credit search), some detailed information about Mr G's financial circumstances before it agreed to lend to him. I think that the checks it did achieved that aim. I think on balance its checks were proportionate. It was Mr G's first loan with Everyday Loans and based on his circumstances I think it gathered enough information in order to inform its decision to lend.

But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. So, I've looked at the information Everyday Loans gathered from Mr G to check whether I agree it was appropriate for him to be given the loan.

I can see that Everyday Loans had verified Mr G's income to be £1610. It recorded down his rent to be £350 and after it took into consideration his credit commitments and the loan repayment, it could see that his disposable income would be around £308 after he paid off a loan with some of the capital from this loan. I have checked the credit search results that Everyday Loans would have had in front of it and although they are fairly basic, they do not show any concerns that I think ought to have alerted Everyday Loans to not providing the loan to Mr G. The bank statements also showed that Mr G was running his personal account well. There were some gambling transactions, but I agree with the investigator that the transactions showing on the statements that it had in front of it were not overly concerning.

From the information it gathered from its checks, I think it would have been apparent to Everyday Loans that the loan was affordable and there was nothing that it would have had in front of it that would have shown it Mr G was struggling to manage his finances. Or anything that would have given it concerns that he couldn't repay the loan in a sustainable way.

So, overall, I think Everyday Loans carried out proportionate checks. In addition, with the information it had in front of it, I think it also made a fair decision to lend. So, I don't think Everyday Loans was wrong to give the loan to Mr G.

My final decision

My decision is that I do not uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 17 March 2022.

Mark Richardson
Ombudsman