DRN-3450189

The complaint

Mr M has complained that Everyday Lending Limited trading as Everyday Loans ("EDL") was irresponsible to have agreed credit for him.

Mr M has brought his complaint to us via a representative. For simplicity, I will refer to him throughout.

What happened

EDL provided Mr M with a loan of £2,500 in May 2018. The total amount of £7,128, including interest and charges, was to be repaid in 30 monthly instalments of £238 (figures rounded). I understand that Mr M made his repayments on time and the loan was repaid before term in December 2018.

Mr M says that EDL was irresponsible to lend to him because the loan was unaffordable for him and it would have learnt this through proportionate affordability checks.

Our investigator upheld Mr M's complaint not because they found the loan to have been unaffordable but because they found Mr M was reliant on credit. For example, Mr M was borrowing from short term lenders at the time and had credit cards with balances close to their limits. Our investigator concluded that Mr M was likely to have difficulty meeting his repayments sustainably and would end up in debt for longer. So agreeing further credit for Mr M under these circumstances was irresponsible.

EDL didn't accept this conclusion. It said that its assessment showed that Mr M could comfortably afford to meet the loan repayments and there was no evidence to suggest that he was in financial difficulty. EDL says that the loan was to be used to clear Mr M's short term loan balances and reduce any reliance he might have had on this type of lending. EDL asked for the complaint to come to an ombudsman to review and resolve.

The complaint came to me and I issued a provisional decision on the 11 March 2022 explaining why I didn't plan to uphold Mr M's complaint. I allowed both parties four weeks to let me have any comments or new information they wished me to consider when making my final decision on the matter. Neither party has provided anything further for consideration.

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 reviewed this complaint again and, having received no new information to consider, my provisional conclusion remains unchanged. I am not upholding Mr M's complaint and will explain again how I've reached that outcome.

As I'd said in my provisional decision, EDL will be aware of the relevant regulations so I will briefly summarise. EDL needed to check that Mr M could afford to meet his loan repayments sustainably, in other words out of his usual means without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit and to Mr M's circumstances, and EDL needed to take proper account of the information it gathered.

The overarching requirement was that EDL needed to pay due regard to Mr M's interests and treat him fairly. CONC 2.2.2G(1) gave an example of contravening this requirement as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did EDL complete reasonable and proportionate checks when assessing Mr M's application to satisfy itself that he would be able to make his repayments sustainably? If not, what would reasonable and proportionate checks have shown and, ultimately, did EDL make a fair lending decision?

EDL provided this Service with the information it relied on. This included what Mr M said about his income and expenditure, bank statements for the month prior to the lending and Mr M's credit file. It seems on the face of it that the assessment EDL carried out was proportionate – it asked Mr M about his finances and verified what he'd said by checking his bank statements and his credit file. However, this doesn't automatically mean EDL's lending decision was fair and I've gone on to consider this.

Mr M gave his income as £3,940 a month and his rent as £700. Taking other living costs and his debt repayments into account, EDL concluded that Mr M had a monthly surplus of £1,084. I've reviewed the bank statements provided by EDL. It seems to me that Mr M's costs were higher than EDL estimated and he would have closer to £500 left each month after meeting his loan repayments. Nevertheless, it seems the loan was likely to have been affordable for Mr M on a pounds and pence basis.

I've also considered whether there were any indications in the information EDL had that Mr M might not be able to meet his repayments out of his usual means without experiencing financial difficulty.

EDL compiled a list of Mr M's debts as part of its assessment which included car finance, a guarantor loan, three credit cards and short term loans. Mr M was at the limit of two of his cards, and it seems had defaulted on the third in 2013 and was repaying the balance of £2,450 via a debt management plan. I've noted two other defaulted accounts, one from 2013 and another from 2015. Mr M owed almost £15,000 of unsecured credit and, including his car finance, paid about £930 a month in repayments.

The purpose of this loan (stated in the customer notes) was to consolidate Mr M's short term loans and other debts (a total of £1,700) and to make pre-payments for an upcoming event. Mr M was taking on more debt (a net of £800) and it seems his monthly payment total would increase to about £980, or a quarter of his monthly income. So I don't think it's reasonable to say that Mr M benefited from taking out this loan in that his overall debt increased as did his monthly repayments.

Mr M's credit file shows he'd taken out three short term loans in the previous six months and, as mentioned, had some old defaults. I can see that his bank account was kept in credit, which included deposits from his partner and a recent short term loan, which he was to consolidate. He had no returned direct debits or unauthorised overdraft charges, for example. And I can't say that Mr M was showing indications of ongoing financial difficulty to the extent that he wasn't managing to keep on top of his debt repayments, wasn't making inroads into his debts or was falling behind on priority bills. I've noted that he made his repayments for this loan on time and until he repaid it in full before the end of the year.

While I don’t think this loan benefited Mr M and he remained paying a relatively large amount of his monthly wage on debt, having considered everything carefully, I don’t think EDL was irresponsible to lend to him on the basis of the information it had. I appreciate this will be disappointing for Mr M and I hope I’ve clearly explained why I’ve reached my conclusion.

My final decision

For the reasons set out above, I am not upholding Mr M’s complaint about Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 24 May 2022.

Michelle Boundy
Ombudsman