

Complaint

Mr M has complained about a guarantor loan Everyday Lending Limited (trading as “Everyday Loans”) provided to him. He says the loan was unaffordable and shouldn’t have been provided to him.

Background

Everyday Loans provided Mr M with a loan for £2,500.00 in October 2014. This loan was due to be repaid in 36 monthly instalments of just over £111.

One of our investigators reviewed what Mr M and Everyday Loans had told us. And she thought that Everyday Loans hadn’t done anything wrong or treated Mr M unfairly. So she didn’t recommend that Mr M’s complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his complaint.

My findings

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 M’s complaint.

Everyday Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Everyday Loans needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay before providing 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 M’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. In its view all of this information showed Mr M

could comfortably afford to make the repayments he was committing to. On the other hand, Mr M has said he should never have been provided with this guarantor loan because of his existing financial position.

I’ve carefully thought about what Mr M and Everyday Loans have said. The first thing for me to say is that Everyday Loans carried out a credit check on Mr M. So I don’t think that this

was a case of Everyday Loans simply accepting a declaration of income and expenditure as has been suggested. Everyday Loans' credit search does show that Mr M had some existing debts. But these were relatively well managed and weren't excessive either.

Equally, as this was Mr M's first loan with Everyday Loans, I'm satisfied that it was reasonably entitled to rely on what it had been provided with. There wasn't anything obvious in the information gathered during this application which leads me to think that further checks would have been reasonable and proportionate.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Everyday Loans obtained. Equally I accept that if Everyday Loans had gone into the depth of checks Mr M appears to be saying it should have – such as obtaining bank statements – it may have reached a different answer. But the key here is that Everyday Loans was providing Mr M with a loan for a relatively small sum with relatively low monthly payments too. And it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

Given the circumstances here, and the lack of obvious inconsistencies in what had been gathered, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr M is suggesting. As this is the case, I don't think that Everyday Loans did anything wrong when deciding to lend to Mr M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Everyday Loans treated Mr M unfairly or unreasonably when providing him with this loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 August 2022.

Jeshen Narayanan
Ombudsman