DRN-3845967

The complaint

Mrs M complains that Everyday Lending Limited trading as Everyday Loans was irresponsible in its lending to her.

What happened

Mrs M was provided with three loans by Everyday Loans between 2017 and 2020. She says at the time she had other borrowings showing her dependency on debt and had missed payments on her other credit commitments.

Everyday Loans says that the first loan was provided in September 2017 and was for debt consolidation. The monthly repayments were around £210 and before lending it gathered information about Mrs M's employment, residential status and dependents. It says it reviewed a payslip and two months of bank statements and carried out a credit check and job check. The second loan was provided in November 2019 and had monthly repayments of around £156. As with the previous loan, checks of Mrs M's bank statements and payslips as well as a credit check were carried out. It also used external data to estimate Mrs M's expenses. The third loan was provided in October 2020 and had monthly repayments of around £242. Similar checks took place before this loan was provided. Based on its checks Everyday Loans say the loans were affordable.

Our adjudicator didn't think that loans 1 and 3 should have been provided.

Everyday Loans didn't agree. It provided further comments about its calculations and noted that debt consolidation was part of the reason for the loans.

My provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- Before providing the loans, Everyday Loans asked Mrs M about her employment and verified her income through payslips and bank statements. It also asked about her residential status and dependents and carried out a credit check. For the second and third loans it used external data sources to estimate her expenditure and would also have had information available to it about her previous repayment history. I also noted that Mrs M's expenditure would be seen from her bank statements. Considering the information Everyday Loans gathered I thought the checks were proportionate.

- While I thought the checks were proportionate that didn't necessarily mean that I considered the lending was reasonable. So, I considered what the information gathered told Everyday Loans about Mrs M's situation and whether this meant it should have considered the loans affordable.

Loan 1

- Everyday Loans' credit check showed that Mrs M had numerous outstanding credit commitments, including several payday loans. However, Mrs M's reason for the loan was debt consolidation so I considered whether she was in a position to afford the loan over its duration based on her using the funds to repay other debts and whether the debt consolidation would put her in a better financial position.

- Mrs M's bank statements showed payments excluding her credit commitments for costs such as food, transport and other living costs of around £900. Mrs M was recorded as a homeowner but said she wasn't responsible for the mortgage. This left around £560 which could be paid towards her credit commitments. On the basis that Mrs M used the loan to repay her payday loans, which appeared to be the case, I looked at the amount that could be repaid based on the settlement amounts, and the amount of commitments this left outstanding. On this basis I thought that loan 1 would have appeared affordable.

- I also thought it reasonable to accept that Mrs M would have been in a better position by taking on the new loan to repay existing, potentially higher rate, loans.

Loan 2

- Loan 1 had been repaid before loan 2 was provided. Loan 2 was for a smaller amount than loan 1 (£1,500). The information gathered before the loan was provided showed that Mrs M had active credit card accounts, other loans and commitments for communications providers. However, taking the repayments for these and her other living costs into account I didn't find I had enough to say this loan should have been considered unaffordable.

Loan 3

- Loan 3 was used to repay loan 2 and to provide just under £2,000 of new credit. This was the third loan provided to Mrs M and while she had made her repayments, I thought that there could have been a pattern developing which might raise concerns about dependency on the debt. However, at this stage, I thought the checks carried out were reasonable and so I considered what these showed.

- Everyday Loans calculated Mrs M's income based on the previous four weeks' figures which I found reasonable. I looked at the information received about Mrs M's credit commitments at the time of the loan and compared these to her commitments at the time she applied for loan 2. There were two additional credit cards which increased Mrs M's total debt, she also had higher loan amounts. However, I didn't find that this meant the loan shouldn't have been provided but clearly the costs of the credit needed to be included in the affordability assessment. Having looked at the income and expenses figures and noting the net increase in the repayments from loan 2 to loan 3, it appeared that the repayments under the new loan were affordable and so I didn't find that I had enough to say that this loan shouldn't have been provided.

No new information was provided in response to my provisional 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

As has been explained, the rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As I set out in my provisional decision, I think the information gathered before the loans were provided was reasonable and proportionate. I note that the first loan was used for debt consolidation and I have considered this as part of my assessment. I have looked at all the information gathered and what this shows regarding Mrs M's income and expenses at the time of the loans. Based on this I do not find I can say that the loans should have been considered unaffordable.

As no new information was provided in response to my provisional decision, my conclusions haven't changed, and I do not find that I have enough to uphold tis complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 4 January 2023.

Jane Archer
Ombudsman