

Complaint

Mr N has complained about a 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 N with a loan for £1,000.00 in July 2021. This loan was due to be repaid in 18 monthly instalments of just under £130.

One of our adjudicators reviewed what Mr N and Everyday Loans had told us. And she thought that Everyday Loans hadn’t done anything wrong or treated Mr N unfairly. So she didn’t recommend that Mr N’s complaint be upheld. Mr N 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 N’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 N 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 N’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 and copies of bank statements that it obtained. In its view all of this information showed Mr N could afford to comfortably make the repayments he was committing to. On the other hand, Mr N has said he should never have been provided with this loan.

I’ve carefully thought about what Mr N and Everyday Loans have said.

The first thing for me to say is that Everyday Loans carried out a credit check on Mr N and also obtained bank statements from him. So I don't think that this was a case of Everyday Loans simply accepting an over-optimistic declaration of monthly disposable income at face value. Everyday Loans' credit search does show that Mr N had some existing debts. But these weren't excessive and certainly not at a level where it was obvious that Mr N simply wasn't in a position to take out any further borrowing.

Equally, as this was Mr N's first loan with Everyday Loans, I'm satisfied that it was reasonably entitled to rely on what it had been provided with. Mr N says he was told that his application was not going to be accepted unless bank statements were provided. But I don't think that it is unreasonable for a lender not to proceed with an application in the even that it hasn't been provided with the information it has asked to be satisfied a loan is affordable. Furthermore, once Mr N did assist with the bank statements being obtained, there wasn't anything obvious in them that suggested the loan repayments were unaffordable.

I accept that Mr N's actual circumstances may not have been fully reflected either in the information he provided, or the information Everyday Loans obtained. I know Mr N says that he had significant debts as a result of gambling unsustainable sums at this time. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And given the circumstances here, and the lack of obvious inconsistencies, I don't think that it was unreasonable for Everyday Loans to lend here.

As this is the case, I don't think that Everyday Loans did anything wrong when deciding to lend to Mr N - 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 N unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr N's complaint. I appreciate this will be very disappointing for Mr N. 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 N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 24 May 2023.

Jeshen Narayanan
Ombudsman