The complaint

Mr B says Everyday Lending Limited (ELL), trading as Everyday Loans, irresponsibly lent to him.

What happened

Mr B took out a loan for £1,500 over 18 months in December 2023. The monthly repayments were £147.05 and the total repayable was £2,646.90. He says the loan was not affordable and ELL has not offered support when he has struggled to repay it.

Our investigator did not uphold Mr B's complaint. He said ELL's checks were proportionate and showed the loan was affordable. Also, ELL had asked Mr B to get in touch so it could understand the best support to offer but he did not respond.

Unhappy with this assessment Mr B asked for an ombudsman's review. He said, in summary, his high income was based on additional borrowing, gambling, and money lent elsewhere. He suffers from symptoms of autism and ADHD (awaiting diagnosis) and handling money is not easy, plus excessive and compulsive behaviour is linked to this. He told ELL when he applied that he suffered from a physical health condition that impacts him adversely on a day-to-day basis. ELL could see his current account had nearly a zero or negative balance each month and could see instances of money being borrowed "for food" which would indicate a consumer is struggling financially.

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 approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when ELL lent to Mr B required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So ELL had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr B. In other words, it wasn't enough for ELL to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr B. Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up 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 and cost of credit they have applied for. 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 ELL did what it needed to before agreeing to lend to Mr B. So to reach my conclusion I have considered the following questions:

- did ELL complete reasonable and proportionate checks when assessing Mr B's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?

- if not, what would reasonable and proportionate checks have shown?

- did ELL make a fair lending decision?

- did ELL act unfairly or unreasonably in some other way?

I can see ELL asked for some information from Mr B before it approved the loan. It asked for details of his income and checked this. It asked for copies of recent bank statements and obtained other data via open banking. It asked about his housing costs and estimated his living costs using national statistics. It added a buffer to cover unexpected costs. It also checked Mr B's credit file to understand his existing monthly credit commitments and credit history. It asked about the purpose of the loan which was for Christmas costs and debt consolidation. From these checks combined ELL concluded Mr B could afford to take on the loan.

I think these checks were proportionate based on the term and value of the loan, the initial results and the stage in ELL's lending relationship with Mr B. And I find ELL made a fair lending decision based on the information it gathered. I'll explain why.

ELL used Mr B's lowest monthly income (salary and benefits) from the three months prior which was £3,323.18. Mr B says he is no longer in receipt of that benefit but I can see it showed each month in the open banking data so I think it was fair for ELL to include it. He also commented that the income figure the investigator referenced included other incomings from gambling and other borrowing but ELL relied solely on his salary and benefit payment. And the open banking data did not show any gambling transactions. It then used his credit check to calculate his credit commitments, deducting the debts he was settling with this loan. And national statistics to estimate his living costs. This showed Mr B would have £1,146.44 disposable income.

From Mr B's credit check ELL learnt Mr B had £823 of active debt that was well-managed. He had defaulted on three accounts in 2018/early 2019 but I don't think this historic adverse data ought to have been a reason not to lend given the results of the other checks. He did have one payday loan but explained it was to cover an unforeseen cost that his partner incurred and it was being cleared with this loan.

Mr B argues that as he had a zero balance in his current account at times ELL ought to have known he was struggling financially – but I don't agree. He wasn't reliant on an overdraft facility and seemed from ELL's proportionate assessment to have ample disposable income.

He also says entries on his statements with the narrative 'for food' ought to have showed ELL he was struggling as he had to borrow money to eat. This doesn't change my findings for two reasons. I don't think ELL needed to review his account on a line-item basis given the size of the loan. But that said, I can see from the lender's notes that when it did query such entries Mr B explained that was the shared the cost of take away deliveries with friends – so it would have had no reason to be concerned.

Overall, I think ELL made a fair decision to give the loan to Mr B. To be clear, I am not saying a more in-depth financial review might not have uncovered the financial strain Mr B has described, rather that in the circumstances of this loan it would not have been proportionate to carry out such a review.

Did ELL treat Mr B unfairly in some other way?

Mr B has told us about the physical and mental health issues he faces. I am sorry he struggles in this way. But I don't find his physical health condition would have been a fair reason not to lend – and I have seen no evidence he disclosed his mental health challenges to ELL until around the time of this complaint. So I cannot fairly expect it to have made any reasonable adjustments at the point of application.

ELL has evidenced that it tried to contact Mr B multiple times to discuss the support it could offer with repayments, including forbearance options. But he did not respond. So again I cannot fairly find it acted unreasonably in this regard.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think ELL lent irresponsibly to Mr B or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 October 2024.

Rebecca Connelley
Ombudsman