DRN-5102529

The complaint

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

What happened

Mr S took out a loan for £1,500 over 24 months in March 2023. The monthly repayments were £156.88 and the total repayable was £3,765.12.

Mr S says he was asked to produce documents such as bank statements, utility bills and details of income and expenditure. However, at the time of the application his credit score was poor. He was behind on bills and had defaults which were and still are adversely impacting his credit score. This loan put a further strain on him.

Our investigator did not uphold Mr S's complaint. He said ELL's checks were proportionate and showed the loan was affordable for Mr S.

Unhappy with this assessment Mr S asked for an ombudsman's review. He reiterated that at the time he applied he was in a lot of debt and he was behind on all his priority bills. He sent in evidence to support this comment.

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 S 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 S. 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 S.
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 S. So to reach my conclusion I have considered the following questions:

- did ELL complete reasonable and proportionate checks when assessing Mr S'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 S before it approved the loan. It asked for details of his monthly income and checked this. It asked for copies of recent bank statements. It reviewed his living costs using both national statistics and his actual outgoings, using the higher cost for each category of expense, and it added a buffer to cover unexpected costs. It also checked Mr S's credit file to understand his existing monthly credit commitments and credit history. It asked about the purpose of the loan which was for a holiday. From these checks combined ELL concluded Mr S could afford to take on the loan as he would have £215.29 monthly disposable income left. This was based on his verified income of £2,507.56 and his outgoings (rent, credit costs, living expenditure) of £2,135.39.

I think these checks were proportionate – they were detailed and based on Mr S's bank statements and credit file. I think this level of scrutiny was proportionate as although the loan value was relatively low, Mr S's credit check showed he had a number of defaults, mainly from 2018 and 2019, as well as two CCJs. I can see ELL discussed this adverse history with Mr S. He told the lender he had been the victim of fraud. A number of credit cards and payday loans were taken out in his name without his knowledge around four to five years before. He was still trying to resolve this. And where he couldn't he had set up payment plans.

Given the loan value, and as Mr S had no active credit cards or loans, nor had he applied for any other lines of credit in the previous six months, and the detailed affordability assessment showed he had the disposable income to sustainably afford the repayments I don't find it was unfair for ELL to lend to Mr S.

Mr S argues he was behind with priority bills at the time but I cannot see ELL knew that and I have found its checks were proportionate so I can't conclude it should have been aware, unless Mr S had opted to tell it. He also said he had lots of other debt. But the credit checks showed he had no active debt and £1,287 of defaulted debt. I can see ELL allocated 2% of that balance as a monthly cost so it had considered the cost to Mr S if he was unable to resolve the fraud disputes. Given his income I don't think he seemed to be over indebted.

In the round, I don't think ELL was wrong to lend to Mr S.

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 S 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 S’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 10 December 2024.

Rebecca Connelley
Ombudsman