

complaint

Mr O has complained that Everyday Lending Limited trading as Everyday Loans lent to him irresponsibly.

background

Mr O was given a loan of £2,093 by Everyday Loans in March 2014. This was due to be repaid in 24 monthly instalments of around £190. The total amount payable, including interest, was just over £4,577. I understand the loan has been settled.

One of our adjudicators has looked into Mr O's complaint. She didn't think Everyday Loans had been wrong to provide the loan. Mr O didn't agree with the adjudicator's assessment, and so the complaint has been passed to me to make a final decision about the matter.

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 set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when deciding Mr O's complaint.

I think there are several overarching questions I need to consider in order to decide what's fair and reasonable in the circumstances of this particular complaint:

- Did Everyday Loans complete reasonable and proportionate checks to satisfy itself that Mr O would be able to repay his loan in a sustainable way? If so, did it make a fair lending decision? If not, what would reasonable and proportionate checks have shown at the time?
- Did Everyday Loans act unfairly or unreasonably in some other way?

Everyday Loans needed to take reasonable steps to ensure that it didn't lend to Mr O irresponsibly. This means that it should have carried out proportionate checks to satisfy itself that he could repay the loan in a sustainable way. The lender was required to carry out a borrower focussed assessment - sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focussed – so Everyday Loans had to think about whether repaying the loans sustainably would cause difficulties or adverse consequences for Mr O. In other words, it wasn't enough for Everyday Loans to simply think about the likelihood of it getting its money back, it had to consider the impact of loan repayments on Mr O.

Checks also had to be proportionate to the specific circumstances of the loan application. These checks could take into account a number of different things, such as the loan amount, the repayment amounts and Mr O's income and expenditure. But there was no set list of checks Everyday Loans had to do.

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 loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income); and
- the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period).

I've carefully considered all the evidence, arguments and information I've seen about this matter and what it means for Mr O.

Everyday Loans carried out some checks before it lent to Mr O. This included asking for details of his income and expenditure and carrying out some credit checks. The lender also verified Mr O's salary and it asked to see bank statements. Everyday Loans assessed Mr O's disposable income and it says the loan was affordable for him.

From what I've seen, I think the checks that Everyday Loans carried out before lending to Mr O were reasonable and proportionate, in the circumstances. But even if those checks weren't proportionate, it doesn't automatically follow that the lender was wrong to provide Mr O with the loan.

I've seen a summary of the information gathered by Everyday Loans at the time, including Mr O's credit report and his bank statements.

I don't think there was anything on the credit report which should reasonably have been of concern to Everyday Loans at the time. Mr O's bank statements show that he had borrowed from two short term lenders shortly before he took his loan. I've thought carefully about this but I don't think there is sufficient evidence that his borrowing from other lenders had reached such a point that it ought reasonably to have led Everyday Loans to decline his loan application. Mr O was also overdrawn, but he seems to have remained close to or within his overdraft limit for most of the time. And he appears to have been making transfers in and out of a savings account which might have suggested to a lender that he had access to at least some other funds which could help to repay his loan. I have not seen any other signs of significant financial distress, such as regular gambling or frequently returned requests for payment, both of which might have signalled severe financial difficulties. Overall, I think a lender might have considered that Mr O was managing his bank accounts quite carefully.

On balance, I don't think that anything which should have caused Everyday Loans any additional concerns about Mr O's financial position when he applied for the loan. Or that should have led the lender to reasonably conclude that his loan application should be declined.

I think that it was reasonable for Everyday Loans to make its lending decision based on the information Mr O had provided and what it found in proportionate checks. I appreciate that Mr O says his financial situation was very difficult. But this doesn't appear to be something he shared with Everyday Loans at that time, or something that proportionate checks would have uncovered. Taking everything into account, I can't fairly conclude that Everyday Loans was wrong to provide the loan to him. And I haven't seen anything to suggest that the lender acted unfairly towards Mr O in some other way.

I know Mr O will be disappointed by my decision, but I would like to reassure him I have carefully considered everything that both he and Everyday Loans have told us. Having done so, I am not upholding Mr O's complaint.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 12 November 2020.

Sharon Parr
Ombudsman