complaint

Mr L complains Everyday Lending Limited (trading as Everyday Loans) lent to him irresponsibly.

background

This complaint concerns a £1,500 loan from Everyday Loans, which Mr L applied for in November 2015. The loan was repayable over 24 months, with monthly payments of £122.96.

Everyday Loans accepted Mr L's application, and sent £1,304.40 of the loan monies to his bank account. The remaining amount was used to settle a loan Mr L already had with the company.

Around a year later, Mr L's relatives discovered he had amassed a very large amount of debt due to a gambling addiction, including this particular loan. One of Mr L's relatives ("R") helped him to raise his concerns with Everyday Loans in November 2016. R explained that Everyday Loans had told Mr L it wouldn't have lent to him if it had known he had a problem with gambling – but it should have been apparent from his bank statements that this was the case. R asked Everyday Loans to consider writing off the remaining loan debt.

Everyday Loans replied in December 2016. It said it had considered Mr L's bank statements as part of its checks into whether he could afford the loan. It added that Mr L's bank statements hadn't shown any evidence of gambling, and it didn't accept that it should write off the remaining debt.

Mr L then referred his complaint to this service for an independent assessment. One of our adjudicators looked into his case. She concluded Everyday Loans had asked for enough information to establish whether or not Mr L could afford the loan and – based on that information – she didn't think the loan looked unaffordable. So she didn't think Everyday Loans had done anything wrong.

R, on Mr L's behalf, asked for an ombudsman to review the complaint, so the case has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken into account the law along with any relevant regulatory guidance and good industry practice at the time.

Everyday Loans had to assess Mr L's loan application to check if he could afford to pay back what he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. It then needed to assess whether – based on the information it had gathered from its proportionate checks – Mr L could afford to make his loan repayments sustainably. The industry regulator at the time of Mr L's application had explained that repayments are sustainable if they're made from income or savings, and while still being able to meet other financial commitments. Repayments would not be sustainable if, for example, they were made from further borrowing.

were Everyday Loans' checks proportionate?

Everyday Loans has provided some evidence of the checks it carried out before agreeing the loan for Mr L. It made enquiries with a credit reference agency, which indicated he had two other loans (including the existing loan to be refinanced) and a phone contract. The total repayments towards these came to £312 per month. The credit checks also indicated Mr L was solvent and didn't have any court judgments against him for debts. No payday loans were detected although Mr L had had some recently – this is possibly because the payday lender in question hadn't yet reported the loans to the credit reference agency Everyday Loans used.

Everyday Loans also asked Mr L to provide it with bank statements. It seems Mr L brought his most recent bank statements (about seven weeks' worth) into a branch of the business where a member of staff went through them. It looks like the member of staff asked Mr L questions about certain transactions because they made notes next to these.

Bearing in mind the circumstances of Mr L's application, I do think Everyday Loans' checks were proportionate. I'm not sure there's much more information it could have asked for. However, it did still need to make sure it correctly interpreted the information it had received from those checks.

what did Everyday Loans' checks show?

R's explained Mr L's gambling addiction should have been apparent from his bank statements. They've provided us with some of his bank statements which I agree show that from January 2016 at least, he was spending a very large amount of money on gambling. I have no doubt Mr L's gambling problems went back further, and already existed at the time of his loan application, but there was very little evidence of gambling on the statements provided to Everyday Loans, so I don't think it was wrong not to discover this problem.

R has also mentioned Mr L had borrowed recently from a payday lender, and some of the apparent income (cash deposits) on his bank statements was not income, but borrowing from friends and colleagues. I do think the frequent large cash deposits into Mr L's account were something a responsible lender should have asked questions about – but it looks like Everyday Loans did ask Mr L about them. Next to one of the deposits the member of staff has written "re job", so on balance it seems like Mr L had said this was income related to his employment in some way. In light of this, if Everyday Loans did treat these cash deposits as income then I don't think it was wrong of it to do so.

However, even if the cash deposits are excluded, I think the loan appears to be affordable based on Mr L's regular financial commitments. Mr L's actual income was around £1,040 per month. R has explained he paid £20 per week rent, £167 per month to another lender, £10 per week on lunches, £40 per week on petrol and £30 per week on car insurance and maintenance. This is an addition to bank charges of £60 per month and a phone bill of £25 per month. I've excluded money Mr L was paying to payday lenders for reasons I explain below. Based on these figures Mr L would have had enough available income to pay his expected loan repayment to Everyday Loans and still have some money left over.

I think Everyday Loans was also aware of Mr L's other loans from a payday lender. A payment of about £435 to this lender in September 2015 was underlined on the statements, as was a £300 loan he received from it in October 2015 and had yet to repay.
Everyday Loans has said the purpose of its loan was the consolidation of debt, so it wouldn't have been unreasonable of it to think Mr L would use part of the funds to pay off the existing £300 loan, thus reducing his monthly commitments. Ultimately I don't think Mr L's existing payday lending was enough of a reason for a responsible lender not to lend to him in the circumstances.

R has referred to Mr L's large overdraft. I agree Mr L had a large overdraft and this was clear from the bank statements Everyday Loans looked at. It looks like this was costing Mr L around £60 per month to service. But even when this is taken into account I don't think the loan looked like it would be unaffordable or unsustainable over the term.

I was sorry to hear about Mr L's situation, but I have to consider whether Everyday Loans was wrong to lend to him. Based on the information it gathered, which I've concluded was proportionate in the circumstances, I don't think it was irresponsible of it to give Mr L this loan.

my final decision

For the reasons explained above, I don't uphold Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 19 February 2018.

Will Culley
ombudsman