

complaint

Mr W complains that Everyday Lending Limited irresponsibly gave him a loan that was unaffordable.

background

Mr W borrowed money from Everyday Lending in January 2017. And says he complained to it in June 2017 that he was in financial difficulties and had a gambling problem. He says he repaid some of that loan with help from his family but his gambling and financial problems continued.

Mr W says he was then contacted by Everyday Lending by phone and letter in the early part of 2018 asking him if he wished to take out a new loan. He says he borrowed about £2,300 and used some of it to repay his previous loan. And gambled the rest and couldn't afford the repayments.

Mr W says that this further lending in 2018 was both irresponsible and unaffordable. And Everyday Lending should've made a note on its systems about his gambling and noticed it on his bank statements before deciding to lend a second time.

Everyday Lending says Mr W used the loan to consolidate his existing 2017 loan and says all affordability checks were carried out. It says Mr W had a small number of gambling transactions on his bank statement but was in employment and the loan was affordable.

Mr W brought his complaint to us and our investigator upheld it in part. She thought Mr W had complained in June 2017 that the first loan was unaffordable and told Everyday Lending about his gambling problem. The investigator thought the second loan was affordable, but the lending was irresponsible because of what Everyday Lending already knew about Mr W, and that it should've asked more questions about the gambling problem and made a note on Mr W's file about that problem.

She recommended that to resolve the complaint, Everyday Lending refund the loan interest, remove negative information from Mr W's credit file and pay him £50 compensation for calling him whilst this complaint was ongoing about another loan.

Everyday Lending doesn't accept that view and has asked that it be reviewed. It says the investigator shouldn't base her decision on "one little phone call mentioning gambling" and says even if it had asked Mr W about his gambling, then it's likely he would've lied about it. It says it was told about ten months before the second lending about the gambling issue in any event. It says it's disproportionate to say the lending was irresponsible based on one comment ten months earlier.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've come to the overall view that the lending was irresponsible and in the circumstances also unaffordable due to Mr W's gambling problem.

I've listened to the call between the parties from June 2017 and I'm satisfied Mr W told Everyday Lending that he was under financial pressure, was borrowing money and had a

gambling problem. I'm also satisfied that it was clear that Mr W was concerned about the amount of interest he was being charged. I can see that Mr W then made a complaint to Everyday Lending about that, which it investigated and issued a final response letter on 23 August 2017. So I'm satisfied at that stage Everyday Lending knew about Mr W's position, even if it decided it hadn't made a mistake about the first loan.

I think in those circumstances Everyday Lending shouldn't have contacted Mr W about a new loan as it knew about his difficulties and that he couldn't afford a far smaller loan. I also think that it should've considered that although the first loan may have appeared affordable, it actually wasn't due to the gambling problem. I would've expected Everyday Lending to have considered that problem in far more detail than it did in 2018, and not just carried out simple affordability checks.

Lenders should not just carry out affordability checks, but also lend responsibly. I'm satisfied that Everyday Lending knew about the gambling problem, but I can't see any evidence that it considered that when it approved the second loan. I also think that looking at Mr W's bank statements would have revealed that the problem hadn't gone away. And I can see that in 2018 there were numerous transactions involving gambling companies. I also think that those transactions didn't include the cash withdrawals which I think it likely Mr W was also using for gambling.

I appreciate that lenders are in a difficult position about the issue of gambling and I accept that borrowers are reluctant to reveal details of any gambling problem. But in this case I'm satisfied Everyday Lending already knew about the gambling and the financial difficulties from the previous complaint, and I think it should've made a clear note on Mr W's file in the event of any future applications. I appreciate it says that Mr W may not have told it about his gambling if it had asked for further details. Nevertheless, I don't think it did ask that question, when it should have, and it also could've found out the answer by taking a closer look at his bank statements and looking at his finances in more detail.

Mr W says Everyday Lending has again been in contact with him about a further loan, despite two complaints about its lending to him. I think that suggests on balance that it's again not recorded details of Mr W's circumstances on its records.

There is no question that Mr W has had the benefit of the second loan and used some of it to repay his first loan. So I agree with the investigator that it would be unfair that the loan balance be written-off. But overall, I'm satisfied the lending was irresponsible and unaffordable and that Everyday Lending should've known that - having been told that months before deciding to lend again.

On the complaint ground about Everyday Lending calling Mr W whilst the complaint was ongoing, I don't think that justifies any compensation. But I have made clear why I think it's relevant to this complaint.

my final decision

My final decision is that I uphold this complaint. To resolve matters, I order Everyday Lending Limited to refund to Mr W any interest and charges on the loan taken out in March 2018, and to remove any negative information that may have been recorded on Mr W's credit file. I don't intend to add any additional compensation to this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 April 2019.

David Singh
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