Financial Ombudsman Service

complaint

Mr L has complained that Everyday Lending Limited (EDL) didn't treat him fairly when it continued to charge interest on his loan after he entered into a Debt Management Plan (DMP). Mr L says that EDL acted unreasonably and he thinks the interest was too high and unaffordable for him.

background

Mr L was given a loan of £3,000 by EDL in December 2015. This was due to be repaid in 36 monthly instalments of around £224. The total amount payable, including interest, was just over £8, 086.

Mr L found he had difficulties repaying the loan and entered into a Debt Management Plan (DMP). EDL says Mr L's loan was rescheduled in September 2016 with a reduced rate of interest over a longer term. The loan was eventually settled in May 2019.

When Mr L originally complained to EDL, he complained about the amount and rate of interest charged under the DMP. And subsequent to the adjudicator's view, Mr L has reiterated that this is his 'main issue'. But during the course of the investigation, Mr L also complained to this Service that his loan had been unaffordable. EDL provided information about the checks it carried out when it agreed to provide Mr L with the loan. So one of our adjudicators considered Mr L's complaint as a whole.

Having looked into the complaint, the adjudicator didn't think EDL acted unfairly or unreasonably towards Mr L – either when it provided him with the loan or when it rescheduled his repayments under the DMP. Mr L 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 L's complaint.

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

- Did EDL complete reasonable and proportionate checks to satisfy itself that Mr L 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 EDL act unfairly or unreasonably in some other way – in particular when Mr L found difficulties repaying his loan and entered into the DMP?

EDL needed to take reasonable steps to ensure that it didn't lend to Mr L 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”.

These checks could take into account a number of different things, such as the loan amount, the repayment amounts and Mr L’s income and expenditure. But there was no set list of checks EDL 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).

EDL carried out some checks before it lent to Mr L. This included asking for details of his income and expenditure and carrying out some credit checks. The lender also checked Mr L’s salary from a payslip and it asked to see bank statements.

From what I’ve seen, I think the checks that EDL carried out before lending to Mr L were reasonable and proportionate, in the circumstances.

I’ve seen a summary of the information gathered by EDL at the time, including Mr L’s credit report and the bank statement he provided to EDL at the time. Mr L had four open loans and a credit card balance near to its limit. But there was very little adverse information on his credit report and he appeared to have maintained his creditor repayments well. From what I’ve seen, it appears that Mr L told EDL he intended to consolidate at least some of his outstanding debt with his EDL loan. Mr L’s bank statements showed he was overdrawn but he was generally fairly near to or within his overdraft limit. Mr L had been borrowing from other 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 EDL to decline his loan application. And 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.

On balance, I don’t think that anything which should have caused EDL any additional concerns about Mr L’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.

Mr L complains that EDL acted unreasonably when he had difficulties repaying his loan and entered a DMP. He says the reduced rate of interest charged by EDL was still impossible to repay. Mr L says his other creditors froze their interest rates and he feels that he was unfairly charged too much interest by EDL.

EDL says that it wasn’t under any obligation to freeze interest on Mr L’s loan. EDL says it reduced the interest rate payable and extended the loan term to 78 months, allowing Mr L longer to pay but without charging him more than he had originally agreed to repay. EDL also says that it would also be prepared to reduce payments further, if a customer provided appropriate evidence about their financial circumstances.

I think EDL was entitled to continue charging interest on the loan whilst Mr L was on a repayment plan. I am sorry that Mr L found himself in financial difficulties, but it seems to me that EDL did respond positively to Mr L in agreeing to reschedule his loan over a longer term and with a significantly reduced rate of interest. Overall, I can't say that EDL acted unreasonably or unfairly towards Mr L, or that it failed to treat him positively and sympathetically in this regard.

I know Mr L will be disappointed by my decision, and that he feels strongly about his complaint. But I would like to reassure him I have carefully considered everything that both he and EDL have told us and all the evidence that has been provided. Having done so, I am not upholding Mr L's complaint.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 5 February 2021.

Sharon Parr
ombudsman