

complaint

Mr H complains that Everyday Lending Limited (trading as Everyday Loans) (EL) lent him money irresponsibly.

background

The background to this complaint and my provisional findings are set out in my provisional decision dated 8 August 2018 – a copy is attached and this forms part of my final decision.

In my provisional decision I explained what I'd decided about this complaint and what I intended to do – subject to any further submissions from the parties.

EL accepted my provisional decision. Mr H asked for some more time to consider my provisional findings as he'd been away. I thought it was fair and reasonable to extend the deadline for his response until 29 August 2018. That deadline has now passed. Mr H hasn't provided any further comments or evidence.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In light of the responses to my provisional decision I see no reason to depart from my provisional conclusions.

my final decision

My decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 13 October 2018.

Claire Jackson
ombudsman

copy provisional decision complaint

Mr H complains that Everyday Lending Limited (trading as Everyday Loans) (EL) lent him money irresponsibly.

background

Mr H borrowed £1,500 from EL in September 2016. He says EL tried to talk him into taking out a bigger loan and he refused at first. But he increased the borrowing to £3,500 a few weeks later. Mr H had other debts, he was borrowing from payday lenders and he'd lost about £4,000 gambling over the previous three months. He thinks EL should have realised he had a serious gambling problem and was over extended - from information on his credit file and bank statements.

Mr H considers a responsible lender would have realised these loans were unaffordable and refused to lend. He feels EL harassed him when he missed payments - phoning multiple times each day and sending abusive letters. He'd like EL to refund interest and charges, rectify his credit file and pay compensation.

EL says Mr H asked to borrow £1,500 to consolidate other debts. He went into a branch to complete the application and supplied supporting documentation, such as payslips and bank statements. EL verified income and checked Mr H's expenditure and credit history. It accepts a "small amount" of gambling was noted from Mr H's bank statements but says that was within his means. It was satisfied, from the information it saw, that Mr H could probably afford to repay £3,500 sustainably. Mr H was happy with the smaller loan at first. And EL ran additional checks when he asked to "top up". It saw no cause for concern in the results and considers the lending was responsible.

Our investigator doesn't recommend the complaint should be upheld. She's satisfied the checks EL did were reasonable and proportionate and the monthly repayments looked affordable. She's not persuaded that EL had reason to think Mr H might not be able to pay this money back sustainably or undertake more checks.

Mr H doesn't think our investigator understood his complaint fully. He says (in summary)

- he had excessive debt already when he applied for the first loan
- he told EL he was going to consolidate existing debts - but he didn't. And EL should have noticed that when it checked his credit file the second time
- he was gambling excessively online during this time - much more than a "small" amount - and EL should have seen that from his bank statements and realised it was irresponsible to lend
- EL took advantage of his situation - charging over 200% interest and harassing him for payment.

Our investigator acknowledges EL could see Mr H had settled some payday loans and taken more out from credit checks after he asked to increase the loan amount. But, she's not persuaded this should have prompted EL to think there might be a problem. She's satisfied the loan repayments looked affordable, in light of the disposable income Mr H seemed to have, without consolidating other debts.

She's not persuaded there's enough evidence of problem gambling in statements EL saw to cause concern. She thinks Mr H seemed to be managing his debts fairly well - his other accounts weren't in default. Overall, she's not persuaded that EL should have done more checks or refused to lend. She doesn't recommend the complaint should be upheld.

Mr H was unhappy with this outcome and he asked for the matter to be passed to an ombudsman for review.

my provisional findings

I've considered all the evidence and arguments available so far to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I can see that Mr H has had a difficult time and I'm sorry about that. I want to assure him that I have considered everything that he has said and sent to us carefully. I think there are different strands to this complaint so I'm going to deal with each of those separately

harassment

I understand Mr H feels aggrieved at the way EL contacted him after his account fell into arrears. He says phone calls were made three or four times a day - sometimes as early as 8am - and letters were abusive and hand delivered to his home. Mr H hasn't been able to provide call records - as he's changed service provider - but EL has sent us a copy of its customer contact notes. I'm satisfied these seem detailed and consistent with events.

I accept EL rang and wrote to Mr H when his account fell into arrears. I understand this contact was probably unwelcome and upsetting for Mr H. But, I can't see that calls were made at unsocial hours - or in excessive numbers. EL has confirmed it hand delivered letters sometimes when Mr H didn't respond to other communications. It supplied copies of some of the correspondence it sent Mr H. This says EL would like to speak to Mr H about the account and provides contact details and signposts free sources of advice. I don't think the content is abusive.

I understand Mr H would rather EL hadn't made contact in the way that it did. But, having considered the evidence here carefully, I'm not persuaded I can reasonably find the contact Mr H had with EL was unreasonable or abusive or amounted to harassment.

the interest rate

Mr H says EL "took advantage" by applying an interest rate of 200%. I've looked at the loan paperwork. This says the interest rate is 75.9% and the APR is 108.8%. I'm satisfied this is the rate EL applied. I appreciate Mr H may think the rate is too high now, but I have to look at what happened when he took the loan out.

I am satisfied the interest information is displayed reasonably prominently in documents given to Mr H at the time. I'm not persuaded he should reasonably have been misled about how much interest he'd have to pay. I think Mr H had enough information to decide if he wanted to accept the rate on offer. And I can't reasonably find EL has done something wrong in this respect.

responsible lending

EL was required to carry out reasonable and proportionate checks to satisfy itself that Mr H was likely to be able to repay the money he borrowed here without undue difficulty. It wasn't required to do any one check in particular - what's reasonable and proportionate varies depending on the amount borrowed and the repayment terms - amongst other things.

Mr H borrowed £3,500 here altogether and agreed to repay about £8,800 over 36 months at £245.60 a month. I'm satisfied EL asked to see pay slips and bank statements, enquired about Mr H's income and outgoings and obtained information from credit reference agencies. I think these checks seem reasonable, in principle, for the amount borrowed and the repayment terms. So I've looked at the information EL obtained to decide if it should reasonably have been prompted to do more checks or refused to lend.

Mr H had a regular income of about £3,300 a month and his essential monthly outgoings seemed to total about £1,200. EL applied a standard uplift for general living expenses to calculate how much Mr H was likely to have left each month, after he'd met the monthly repayment.

I can see EL told Mr H (in the final response letter sent in December 2017) that it calculated he should have about £700 a month spare. I think that figure is probably more like £400 - taking into account the loans Mr H paid off and took out in between applying for the first and second loan. I appreciate that's not as much as £700, but I don't think it sounds unreasonable.

In fairness, I don't think Mr H disputes that this lending probably "looked" affordable - based on his regular income and essential outgoings alone. But, he says EL saw other information during these checks that should reasonably have given cause for concern.

information from Mr H's credit file

EL has supplied the search results from credit checks obtained at the time. I have reviewed these carefully. I can't see any adverse signs - such as late or missed payments, defaults or CCJs. There's nothing to suggest Mr H was having difficulty meeting contractual obligations. He seemed to be managing his existing credit commitments fairly well at this stage.

Mr H had one HP agreement, eight loans and two credit cards when he borrowed this money. I can see some credit card balances were close to card limits. But, Mr H told EL he wanted this loan to consolidate existing debts and I don't think it was wrong of EL to take that into account.

I appreciate Mr H feels there were obvious red flags. He was borrowing from payday lenders. He'd asked EL to increase the borrowing significantly within weeks. It could be seen he hadn't consolidated any existing debt with the first loan and he'd taken out more payday loans.

I accept there's evidence that Mr H had taken on some new debt when he applied to increase this loan. But, the contact notes EL provided say it asked Mr H about that at the time. He said these were for "unexpected" expenses. I don't think the number of payday loans Mr H had - or the amount he'd borrowed from payday lenders - looked particularly concerning, in light of the way he seemed to be managing his finances generally. And I can't fairly find it was unreasonable of EL to accept that explanation.

information seen on Mr H's bank statements

Mr H says he gave EL statements from two of his bank accounts over three months from July to September 2016. I accept these statements show signs of problem gambling. But, for reasons I'll explain, I am not persuaded that EL is likely to have seen that.

I note Mr H says he gave EL three months of statements in line with "standard" lending practice at the time. So, I should make it clear that EL wasn't *obliged* to ask for any bank statements in this situation.

I accept some statements were supplied. EL says it routinely requested bank statements for one month at the relevant time. The contact notes say EL looked at paper statements from one bank (that I'll call N) for September 2016 and viewed some information from a second bank (that I'll call F) on Mr H's phone - when he came into the branch to apply for the first loan.

EL has supplied copies of the paper statements it saw from bank N. These contain handwritten notes that suggest EL took Mr H through the transactions on this account in detail. There are no obvious signs of gambling in these statements so I think EL must have seen this in the other bank account Mr H had with F.

EL hasn't got copies of the information from F that it saw on Mr H's phone and it can't say for certain what period this covered. I think it would have been helpful if EL had kept a copy of the information it

saw at the time. It didn't and I can't be absolutely certain what transactions were viewed when it looked the account with F.

I think it is reasonable to take the notes made by employees who looked at this information at the time into account in this situation. These notes say the level of gambling didn't appear excessive or unduly troubling - it's referred to as "very small", albeit in "multiple amounts".

I find the notes seem reasonably detailed. The information recorded is in line with other documents I've seen. And I think the notes overall appear to be accurate. On balance, I am not persuaded it would be reasonable to conclude that EL is likely to have seen evidence of a large, or otherwise concerning, level of gambling on the statements it viewed.

I don't think the mere fact that a consumer gambles is enough reason to say a lender shouldn't provide credit. But I might be inclined to find EL should have done further checks if it had seen other warning signs.

I don't think the statements from N or the information on Mr H's credit file contain anything that should reasonably have given EL cause for concern. On balance, looking at all of the current evidence, I'm not persuaded that EL should reasonably have thought there might be an affordability issue here or otherwise refused to lend. So, I can't reasonably require it to provide a refund or pay compensation.

Mr H has explained he's experienced some difficult circumstances. I'm very sorry to hear about that. I can see, from other information he has supplied, that Mr H continued to borrow from payday lenders - after EL lent him this money - and found himself in financial difficulty. But, I'm not persuaded EL should reasonably have foreseen this - based on the information it obtained from reasonable and proportionate checks.

I realise these provisional findings are likely to come as a huge disappointment to Mr H. If he's still having financial problems he may wish to get some help with that from a free source of money advice - and we can provide information about that if he'd like it. And I take this opportunity to remind EL of its obligations to respond positively and sympathetically to customers who find themselves in financial difficulties

I now invite the parties to think about what I've said and let me have any further comments or evidence by 22 August 2018. After that I'll consider everything again and make my final decision.

my provisional decision

Subject to any further submissions that I may receive from the parties, my provisional decision is I do not intend to uphold this complaint.