

The complaint

Miss H is unhappy that Everyday Lending Limited trading as Everyday Loans agreed to a loan she'd applied for as she said it was unaffordable for her.

What happened

In September 2018 Miss H took out a £3,000 loan with Everyday, to be repaid over 24 months with repayments of £285.20 a month.

Miss H said Everyday shouldn't have approved the loan as it wasn't affordable when all of her circumstances were taken into consideration. She's said she couldn't afford to repay the loan and had to borrow from family members. She complained to Everyday as she didn't think they'd done enough to establish her true situation.

Everyday said they'd carried out sufficient checks that showed the loan was affordable for Miss H. They calculated she had disposable income of £714.01. And there was no evidence on Miss H's bank statements of any payday loans or gambling.

Miss H wasn't happy with their response and referred her complaint to us.

Our investigator said Everyday had carried out a credit search and asked Miss H for details of her income and expenditure at the time of the application. But said Everyday should have asked for further information to determine Miss H's financial circumstances. So, he'd looked at Miss H's bank statements for the three months leading up to the application. Miss H said the loan was to clear some of her financial commitments. And he said based on this Everyday would have still said the loan was affordable. So, he didn't think Everyday had acted irresponsibly when agreeing the loan Miss H applied for. And he didn't think they needed to do anything more.

Miss H didn't agree with the investigator. She said that the regular bills figure the investigator used was wrong, and that "*I believe the affordability checks were not reasonable and proportionate and my living expenses hugely under estimated.*" She said she paid £250 for rent but also had to contribute for food. And she had monthly travel costs of £252 and additional food costs of £146 per month. She's asked for an ombudsman to make a final decision.

What I've decided – and why

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'm not upholding this complaint. I'll explain why.

Taking into account the relevant rules, guidance and good industry practice, I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Everyday carried out proportionate checks. And whether the loan made was affordable and sustainable for Miss H.

Regulations in place at the time Everyday lent to Miss H required them to carry out a reasonable assessment of whether Miss H could afford to repay the loan in a sustainable manner. This is sometimes referred to as an “affordability assessment” or “affordability check”.

The affordability checks should be “borrower-focused”, meaning Everyday need to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Miss H. In other words, it wasn’t enough for Everyday to think only about the likelihood that they would get their money back without considering the impact of repayment on Miss H herself.

Checks also must be proportionate taking into account the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the particular circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty. Consideration should also be given to the amount, type and cost of credit they’re applying for. This could mean a proportionate check could differ for the same borrower for different loan applications.

So, I’ve considered whether Everyday in lending to Miss H had been thorough in the checks they made. And whether they’ve taken all of these factors into account in deciding to lend to her.

Everyday said Miss H’s credit checks didn’t show she was having any difficulty in repaying her existing financial commitments. Everyday said the income and expenditure information provided suggested Miss H had a monthly disposable income of over £714. Which would imply that the loan was easily affordable. But they also said her bank statements didn’t show any payday loans.

Miss H applied for the loan as she said she wanted to refinance and clear existing loans, in particular payday loans. Having looked at her bank statements, three months prior to the loan being taken out, and her credit file. I can see Miss H had a regular ongoing history of taking out payday loans.

But the credit report I’ve seen doesn’t show she was struggling. And I’ve seen nothing to show me that Miss H made Everyday aware of any additional loans that didn’t show on her credit file or hadn’t been declared as part of the income and expenditure calculations.

The bank statements I’ve seen for July 2018 through to September 2018 show Miss H had a monthly income from two jobs between £1582.68 and £1959.94. And her monthly board payment is regularly showing as £487, which I think is £250 for rent (the amount Miss H confirmed with Everyday) and the remaining £237 would I think be the amount Miss H says she contributes towards food. I can also see for the two months before she took out the loan she paid on average £240 for travel, this included between £9 and £50 on single taxi trips. Miss H had regular credit commitments of around £250, and spent about another £100 on miscellaneous items. Miss H’s account doesn’t show her moving into an overdraft balance at any point.

I can see she had incoming and outgoing from payday loans. But Miss H has said she applied for the loan with Everyday to pay off some of her financial commitments and this included three pay day loan companies, which I can see she did settle in October 2018 after getting the loan from Everyday. So, I’ve not considered these amounts in Miss H’s regular incoming and outgoing commitments, as the purpose of the loan was to settle these, and she did.

So, based on Miss H's minimum monthly income, less her household bills, her regular credit commitments, and miscellaneous spending, she would have around £500 a month disposable income each month. And Everyday's loan payment was £285.20. So I think the loan was affordable.

Because of all of this, I'm satisfied the checks Everyday did when approving Miss H's loan were reasonable and proportionate. And I don't think that the lending was irresponsible or unaffordable at the time. So, I won't be asking Everyday to refund any payments, charges or interest.

But Miss H is in financial difficulties and struggling to repay the loan. So I'd expect Everyday to deal with these circumstances fairly and sympathetically, and look to arrange a payment plan that's affordable for Miss H.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 January 2021.

Anne Scarr
Ombudsman