The complaint

Mrs H believes Everyday Lending Limited, trading as Everyday Loans, acted irresponsibly by agreeing a loan she'd applied for.

What happened

In December 2011 Mrs H took out a £1,000 loan with Everyday, to be repaid over 11 months with repayments of £168.20 a month. This loan was repaid in June 2013.

Mrs H complained that Everyday didn't act responsibly when approving the loan – she didn't think the checks Everyday did were thorough enough. She said that she already had high interest and payday loans at the time she applied for the loan, and she had a gambling addiction. So she didn't think they should've approved the loan. Everyday didn't agree, so Mrs H brought her complaint to us for investigation.

Our investigator said that the checks Everyday carried were reasonable and proportionate – they checked Mrs H's income and expenditure, carried out a credit search and checked her bank statements. And from the information available to Everyday, the loan was affordable to Mrs H - there was nothing that indicated Mrs H was reliant on payday lending or had a gambling addiction. So the investigator didn't think Everyday needed to do anything more.

Mrs H didn't agree. She said that, at the time of application, she had a rolling payday loan and she was in a debt management plan. She's also said that she used to get cashback on supermarket transactions and then use this money to gamble with. And she thinks Everyday should've queried *"a lot of strange activities [on her bank statements] especially around 28th / 29th Nov [2011]."* So, 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.

When someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy itself that the lending was affordable, and that the affordability was sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair. And if reasonable and proportionate checks weren't carried out, I need to consider if the loan would've been approved if the checks had taken place.

There's no set list for what reasonable and proportional checks are, but I'd expect lenders to consider things such as the amount, duration and payments of the loan being applied for; as well as the borrowers' personal circumstances at the time of each application.

I've seen the documents Everyday checked at the time they approved Mrs H's loan.

The credit search showed that Mrs H had two active loans, for which she paid a total of £294 a month. Both of these loans were long-term lending and weren't the short-terms associated with payday lenders. And Mrs H hadn't missed any payments on these loans.

The credit search also showed Mrs H had two historic defaults. Different lenders have different criteria for lending, so I think the defaults didn't necessarily meant that Everyday should've automatically declined the application. Especially because Mrs H had maintained payments on all of her 'live' credit. But I do think that Everyday should've considered the defaults as part of their overall lending decision. And I haven't seen anything to show me they didn't.

I've also seen the bank statements Mrs H provided Everyday. These covered the period from 1 November to 9 December 2011. They show Mrs H was paid weekly and had an average weekly salary of £466.78. I calculate this to be the equivalent of £2,022.72 a month, but I'm aware there are different ways of doing this calculation. Everyday calculated Mrs H's equivalent monthly income to be £2,031.07 and used this in their affordability calculations.

There's nothing I've seen on the credit search, bank statements or the information Mrs H provided to Everyday that shows she was in a debt management plan and/or she was reliant upon payday loans. And I can't say that Everyday did anything wrong by not taking into consideration things they weren't aware of.

In assessing affordability, Everyday deducted Mrs H's £625 a month rent, and the monthly payments to her loans, from her monthly income. They also deducted a further 35% (£710.87) to account for her regular household expenditure and food etc. This left her with a disposable income of £401.20 from which to pay their loan of £168.20.

Given the above, and the value and term of this loan, I'm satisfied that the checks Everyday did were reasonable and proportionate at the time. And I wouldn't expect them to do anything more.

But I've also reviewed the bank statements in light of the comments made by Mrs H. These show a number of cash transactions, both into and out of her account. Using cash isn't unusual, and I don't think the fact that Mrs H did so should've meant that Everyday should've asked more questions.

The transactions on 28 and 29 November 2011 that Mrs H has said were strange were five debit card transactions in two different supermarkets. These ranged between £3.86 and £47.59 and totalled £153.46. I don't consider that type of spending in supermarkets to be so unusual, especially given the time of year when people tend to stock up for Christmas, that Everyday should've queried it.

So, I remain satisfied that Everyday acted reasonably when approving the loan for Mrs H. And I won't be asking them to take any further action.

My final decision

For the reasons explained above I don't uphold Mrs H's complaint about Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 27 February 2021.

Andrew Burford

Ombudsman