

## **The complaint**

Miss H believes Everyday Lending Limited, trading as Everyday Loans, acted irresponsibly by agreeing four loans she'd applied for.

## **What happened**

In February 2018, Miss H took out a £3,000 loan (Loan 1) with Everyday, to be repaid over 24 months with repayments of £216.00 a month. This loan was repaid in June 2018. In August 2018, Miss H took out a second loan with Everyday for £3,100 (Loan 2), to be repaid over 30 months with repayments of £190.20 a month.

In March 2019, Miss H took out a third loan with Everyday for £4,200 (Loan 3), to be repaid over 36 months with repayments of £231.14 a month. Part of the funds borrowed were used to repay Loan 2. In June 2020, Miss H took out a final loan with Everyday for £7,000 (Loan 4), to be repaid over 48 months with repayments of £293.89 a month. Part of the funds were used to repay Loan 3.

Miss H complained that Everyday didn't act responsibly when approving these loans – she didn't think the checks Everyday did were thorough enough. She said she already had debts with high repayments as well as being a guarantor for her ex-partner's loans, and that these weren't taken into consideration. So she didn't think Everyday should've approved the loans. Everyday agreed they shouldn't have approved Loan 2, but they felt they'd acted reasonably by approving Loans 1, 3 and 4. Miss H didn't agree, and she brought her complaint to us for investigation.

Our investigator said that the checks Everyday carried out for Loan 1 were reasonable and proportionate – they'd checked Miss H's income and expenditure from her bank statements, and they'd carried out a credit search. And from the information available to Everyday, the loan was affordable to Miss H.

The investigator also said that the checks Everyday carried out for Loan 3 were reasonable and proportionate, but she thought the bank statements showed a lot of high value transfers to Miss H's ex-partner, whom I'll call C; as well as very large monthly phone bills and a payment to a loan that wasn't accounted for in their affordability calculations. She thought that Everyday should've looked into this and, if they had done, they'd have found that Miss H was a guarantor for a loan with C, which C wasn't paying all of the time, so Miss H had to.

And she said that Everyday would also have found out that C was gambling a lot using Miss H's phone, which is why the monthly bills were so high. Because Everyday upheld the complaint about Loan 2 because of excessive gambling, and because Miss H only had around £230 a month disposable income with which to pay Loan 3, the investigator said that Everyday shouldn't have approved Loan 3 either.

The investigator was satisfied that Everyday did reasonable and proportionate checks for Loan 4. And Miss H's financial situation had improved by the time of this application. She didn't have any defaults or CCJs, and Loan 4 was to be used to repay other credit, which would reduce her overall outgoings. After taking all of this into consideration, the investigator said that Miss H had sufficient disposable income, and she thought this loan was affordable for Miss H.

So the investigator said that Everyday should refund anything Miss H had paid over and above the amount she'd borrowed for Loans 1 and 2, plus 8% simple interest a year.

While Everyday agreed with the investigator, Miss H didn't. She said that the refund she'd receive from Loans 2 and 3 wouldn't be sufficient to repay the outstanding balance on Loan 4, and she didn't think this was fair. She said she was still a guarantor for C's loan, and if C didn't pay this, then she couldn't afford to pay the Loan 4 payments. So she didn't think Loan 4 should've been approved and that, if *"loan 4 is not being removed I at least would expect the interest to be removed."*

Miss H also said that her second income wasn't guaranteed and, when the loans she was guaranteeing were taken into consideration, she didn't have any disposable income. 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, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Everyday complete reasonable and proportionate checks to satisfy itself that Miss A would be able to repay the credit in a sustainable way?
  - a. if so, did Everyday make a fair lending decision?
  - b. if not, would reasonable and proportionate checks have shown that Miss H could sustainably repay the borrowing?
2. Did Everyday act unfairly or unreasonably in some other way?

And, if I determine that Everyday didn't act fairly and reasonably when considering Miss H's application, I'll also consider what I think is a fair way to put things right.

*Did Everyday complete reasonable and proportionate checks to satisfy itself that Miss H would be able to repay the credit in a sustainable way?*

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

Based on what I've seen, it's clear to me that Miss H and Everyday agree that Loan 1 should've been approved, but Loans 2 and 3 shouldn't. Because of this, my decision will concentrate on whether Loan 4 should've been approved or not.

For Loan 4, I've seen that Everyday verified Miss H's income and employment from her April 2020 payslip, and from a letter from her employers dated 23 April 2020 as Miss H had changed employers in April 2020.

Miss H's also provided Everyday with her bank statements for the periods 2 March 2020 to 29 May 2020 (current account) and 28 February 2020 to 27 May 2020 (savings account). These show that her average income for April and May 2020 was £1,373.65 a month from her main employment. And Miss H also had a second job, from which she received an average of £164.50 a week (£712.83 a month).

The credit search Everyday carried out showed that Miss H was up to date with all of her payments, and that she didn't have any CCJs or defaults. This also showed that Miss H had three loans (including Loan 3), for which she was paying a total of £880 a month, and five credit cards or mail order accounts, with a total outstanding balance of £4,474. Loan 4 was to be used to repay Loan 3 as well as all of the credit cards and mail order accounts.

In addition to the credit commitments, the bank statements showed that Miss H paid her mobile phone bill, life cover, pet insurance and car tax and insurance - £222.37 a month. Finally, Miss H said she paid her parents up to £150 a month for board.

Taking all of the above into consideration (with Miss H having to repay Loan 3 as part of the terms of taking Loan 4, as well as paying 5% of the credit card/mail order balance each month); this would leave her with a disposable income of £841.55 a month, from which to pay the Loan 4 payment of £293.89 a month. And this would increase to £1,065.25 a month once the credit cards and mail order accounts were repaid from the proceeds of Loan 4.

Based on this, I'm satisfied that, Everyday carried out reasonable and proportionate checks when they assessed the application for Loan 4. And these showed Loan 4 was affordable to Miss H. So, I'm also satisfied that Everyday acted responsibly when approving Loan 4.

Miss H has said that her second income wasn't guaranteed. I've seen that, in the 13-week period covered by the bank statements, she only received this income for 10 weeks. And, I've taken this into consideration when calculating the weekly average. However, even if this income was completely discounted (which I don't think it should be because Miss H was receiving this on a regular basis), then Miss H would still have sufficient disposable income from which to pay Loan 4.

What's more, in taking out Loan 4, Miss H was replacing the Loan 3 payment of £231.14 and the £223.70 payments to her credit cards and mail order accounts, with a single payment of £293.89 – a saving of £160.95 a month. The bank statements and credit search show that Miss H was able to maintain these payments on a monthly basis, which shows they were affordable for her. So Loan 4 put her in a better financial position, not a worse one.

Finally, Miss H has said that, if she had to make the payments to C's loans, then she wouldn't have any disposable income from which to pay Loan 4. But the bank statements don't show that Miss H was making these payments at the time she applied for Loan 4, nor have I seen anything to show me that she was guaranteeing payments of over £1,000 a month – her disposable income once Loan 4 had gone through and all of her credit cards and mail order accounts settled.

Because of this, Miss H's comments don't change my view that Everyday acted responsibly when approving Loan 4, and I won't be asking them to do anything more about this loan.

*Did Everyday act unfairly or unreasonably in some other way?*

I haven't seen anything to make me think Everyday acted unfairly or unreasonably in some other way.

**Putting things right**

Miss H has had the benefit of the money she borrowed for Loan 2 and Loan 3, so it's only fair that she should have to repay this. But, because Everyday shouldn't have approved these loans, they should refund all of the interest and charges on these loans.

So, Everyday should add up the total of money Miss H received from Loan 1 and Loan 2 and deduct the payments he made to these two loans from this amount.

- a) If this results in Miss H having paid more than she received, any overpayments should be refunded to her, along with 8% simple annual interest, calculated from the date of the overpayments to the date of the refund\*.
- b) If Miss H had received more than she paid, Everyday should attempt to arrange a suitable and affordable repayment plan.

Everyday should also remove any negative information recorded on Miss H's credit file, relating to Loans 2 and 3 only.

\*HM Revenue and Customs require Everyday to take tax off this interest. They must give Miss H a certificate showing how much tax they've deducted, if she asks for one.

**My final decision**

For the reasons explained above I uphold Miss H's complaint. And Everyday Lending Limited trading as Everyday Loans, should follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 18 August 2021.

Andrew Burford  
**Ombudsman**