

## **The complaint**

Mr C and Mrs C complain Everyday Lending trading as Everyday Loans irresponsibly lent to them.

## **What happened**

Mr C and Mrs C were approved for a £7,500 loan by Everyday Loans in August 2017. The term of the loan was 36 months with repayments of approximately £365 per month. Mr C and Mrs C say this loan was irresponsibly lent. They say they were experiencing financial hardship at the time the loan was approved; and Everyday Loans acted unfairly in providing it. Mr C and Mrs C say they've lost out financially as a result of this loan as they've had to pay additional interest and charges.

Our investigator recommended the complaint be upheld. In coming to this conclusion he felt that although Everyday Loans had completed proportionate checks when assessing Mr C and Mrs C's affordability; it had made an unfair decision to lend. This was because the affordability calculation that Everyday Loans used demonstrated that Mr C and Mrs C would be left with a small disposable income each month. Our investigator didn't think this met the requirement for Everyday Loans to ensure any lending was sustainable for Mr C and Mrs C.

Everyday Loans disagreed with this assessment. It argued that it wasn't reasonable for the investigator to rely on the disposable income figure as the only factor in deciding whether a loan was responsibly lent. Everyday Loans maintained it had lent fairly to Mr C and Mrs C.

## **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.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Everyday Loans needed to take reasonable steps to ensure it responsibly lent to Mr C and Mrs C. The relevant rules, regulations and guidance at the time Everyday Loans lent required it to carry out reasonable and proportionate checks. These checks needed to assess Mr C and Mrs C's ability to afford the loan and repay it sustainably over its term without causing them financial difficulties.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's circumstances.

And it isn't sufficient for Everyday Loans to just complete proportionate checks – it must also consider the information it obtained from these checks to make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without having to borrow further.

All parties seem to agree that proportionate checks were completed in this instance. As such I won't make any detailed findings other to say that I agree they were in this instance. Everyday Loans' checks included seeking verification from Mr C and Mrs C as to their financial circumstances in the form of bank statements. Considering this information; I'm satisfied the checks were proportionate to the amount of credit being advanced.

Even though Everyday Loans completed proportionate checks; it still had to carefully consider the information it had before deciding to lend to Mr C and Mrs C. And it needed to ensure any decision to lend was sustainable – meaning that Mr C and Mrs C could repay the loan without incurring further hardship or having to borrow further.

Looking at the information that was gathered at the time of the loan application; I'm not persuaded that Everyday Loans made a fair decision to lend.

The statements demonstrate that Mr C and Mrs C were managing their finances to a very tight budget in the lead up to the application for the loan. They show that the income was in line with the sum Everyday Loans had relied on; and that the credit which they were consolidating was necessary for them to have a positive balance.

Everyday Loans says the consolidation would've benefitted Mr C and Mrs C; and that it would've left them with a disposable income of around £78. However, the statements demonstrate that their outgoings were higher than those declared; and therefore the likely disposable income which Everyday Loans was relying on; likely wouldn't be there. There are numerous times when the balance is either down as low as single digits or has entered into their unarranged overdraft by around £240. The pattern of spending shows Mr C and Mrs C finances were reliant on high cost credit to balance her finances; and that even with this supplementary income they were still struggling to maintain their finances sustainably.

Everyday Loans says that this loan would've left Mr C and Mrs C with sufficient disposable income to meet these repayments. However, I'm satisfied that the evidence it gathered at the time did not support this.

As Everyday Loans is aware, sustainable repayments includes Mr C and Mrs C not having to borrow further to meet their outgoings. The statements demonstrate that they were already having to supplement their income by borrowing further. I'm satisfied as such that any further lending would've likely resulted in the same action; leading them to likely incur further financial hardship through taking further credit.

So, with this in mind I'm persuaded Everyday Loans' decision was unfair; and it ought've to come to the same conclusion based on the information it had at the time.

### **Putting things right**

Mr C and Mrs C have lost out financially because of Everyday Loans' actions as they've had to pay additional interest and charges. Therefore, Everyday Loans needs to put things right.

In order to put things right I require Everyday Lending Limited trading as Everyday Loans to:

- Add up the total amount of money Mr C and Mrs C received as a result of having been given this loan. The repayments Mr C and Mrs C made should be deducted from this amount; as well as any charges or fees associated with this loan.
  - a) If this results in Mr C and Mrs C having paid more than they received, then any overpayments should be refunded along with 8% simple interest (calculated from

the date the overpayments were made until the date of settlement). †

- b) If any capital balance remains outstanding, then Everyday Lending Limited should attempt to arrange an affordable/suitable payment plan with Mr C and Mrs C.
- After all adjustments have been made and once there is no outstanding balance, Everyday Lending need to remove any negative information recorded on Mr C and Mrs C's credit file.

† HM Revenue & Customs requires Everyday Lending Limited to take off tax from this interest. Everyday Lending Limited must give Mr C and Mrs C a certificate showing how much tax it's taken off if they asks for one.

### **My final decision**

My final decision is that I uphold this complaint against Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 2 June 2022.

Tom Whittington  
**Ombudsman**