

## **The complaint**

Ms D complains Everyday Lending Limited lent to her irresponsibly.

## **What happened**

In March 2019 Ms D applied for, and was given a loan for £2,500, which was repayable over a period of 36 months. The repayments were around £197 a month, and in total Ms D agreed to pay back just over £7,105 over the three years, once interest was added.

Ms D struggled to make the loan repayments and in February 2021, Everyday Lending obtained a court order demanding she repay the loan in full. Ms D says Everyday Lending shouldn't have given her the loan because it wasn't affordable. This has caused her stress and anxiety.

Everyday Lending says it did check whether the loan was affordable, and Ms D did have enough disposable income to make the loan repayments. It says its affordability calculation showed she was left with a monthly disposable income of around £62 after taking into account the monthly repayments on the new loan.

Our investigator thought Ms D's complaint should be upheld. Although Everyday Lending initially agreed, it then changed its position and so this complaint has been passed to me to make a decision. I've not seen that the court examined the decision to lend to Ms D and so I see no reason not to consider this complaint.

## **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 unaffordable and irresponsible lending on our website. And I've taken this into account in deciding Ms D's complaint.

Everyday Lending needed to take reasonable steps to ensure that it didn't lend to Ms D irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Ms D would be able to pay the loan in a sustainable way.

Everyday Lending did complete some checks to see if the loan was affordable. But I agree with the investigator that given the total cost of repaying the money Ms D was borrowing, the information she had provided about her income and expenditure, together with the information on her credit file, Everyday Lending's checks weren't good enough.

Everyday Lending asked for some information from Ms D before it approved the loan. It asked for details of her income and estimated her monthly costs using national statistics. Everyday Lending attempted to verify Ms D's income electronically using a bank account turnover check from a credit reference agency – but this returned a result showing the income Ms D had declared couldn't be confirmed. So Everyday Lending asked Ms D for two months of bank statements instead.

It reviewed her credit file to understand her credit history and existing commitments. It also asked about the purpose of the loan which was for an overseas trip to attend the funeral of a relative. From these checks combined Everyday Lending concluded that Ms D had enough monthly disposable income to afford the loan. But I don't think it reacted appropriately to the data it gathered when it made its lending decision. I'll explain why.

For its affordability assessment Everyday Lending used national statistics to estimate Ms D's expenses. Whilst this can be a fair approach in certain circumstances, as Ms D had provided bank statements, I would expect Everyday Lending to use these to assess her expenses as well as her income. These statements covered the periods: 4 January to 31 January 2019; 31 January to 3 February 2019; and 28 February 2019 – so not the full two months statement history requested. Whilst they do show two salary credits, they also show Ms D borrowing from a high cost short-term revolving credit facility as she neared her £4,000 overdraft limit. Indeed, when Ms D received her £1,015 January salary credit, it left her still £2,300 overdrawn. I do note, however, Ms D later received a £6,500 credit from a motor dealership and appears to be from the sale of a car – her credit file shows she had entered into a new large hire purchase agreement in the same month.

Everyday Lending only saw four days statement history covering February 2019 but Ms D has given us her statement covering the full month. Although Everyday Lending didn't see the full months statement history – as it had asked for – I think it should have. I would have expected Everyday Lending to react to this information it gathered for January 2019 (low income, high cost short-term credit, significant overdraft usage) and ensure it fully understood Ms D's actual living costs. Had it done so, Everyday Lending would've seen Mrs D started the month £2,750 in credit and finished it £3,645 overdrawn and that she had drawn down on her high cost short-term revolving credit facility five times.

I think this all casts significant doubt as to the reliability of Everyday Lending's affordability assessment and its calculation arriving at Ms D having a monthly disposable income of around £62. However, while also noting Ms D's bank statements suggest she had no income at her disposal, I am not setting out what Everyday Lending should have calculated Ms D's actual disposable income to be. This is because I think there is a more critical reason Everyday Lending should not have lent to Ms D.

Everyday Lending should have completed reasonable and proportionate checks to satisfy itself that Ms D would be able to pay the loan in a *sustainable* way. But *its* checks left Ms D with a monthly disposable income of only £62. Her new loan commitment was around £197 a month. So, should an unforeseen expense mean Ms D missed a payment one month, it would take at least four months to get back on track. Ms D was a single parent with three dependants and no matter how well she budgeted her spending, I think it is reasonable to suggest her best made plans could easily be derailed given such small leeway. So, when I considered this in the context of an applicant with a modest income, high cost short-term credit and significant credit card and overdraft usage, I can't reasonably say Ms D was in a financial position to pay this loan in a sustainable way. I also think this is borne out when Ms D fell behind on her repayments in August 2019 and she couldn't make good her arrears, prompting Everyday Lending to obtain a court order demanding she repay the loan in full.

Altogether, I don't think Everyday Lending's checks went far enough. It doesn't seem to have used the bank statements it had to verify the estimate of Ms D's living. Overall, I'm satisfied that the available information demonstrated that Ms D wasn't in a position to take on any more debt. So, I think Everyday Lending was wrong to give the loan to Ms D.

I haven't seen any evidence that Everyday Lending acted unfairly towards Ms D in any other way.

## **Putting things right**

When I find that a business has done something wrong, I'd normally direct that business – as far as it's reasonably practicable – to put the complainant in the position they *would be in now* if the mistakes it made hadn't happened.

In this case, that would mean putting Ms D in the position she would now be in if she hadn't been given the loan in question.

However, this isn't straightforward when the complaint is about unaffordable lending. Ms D was given the loan and she used the money. In these circumstances, I can't undo what's already been done. So, it isn't possible to put Ms D back in the position she would be in if she hadn't been given the loan in the first place.

Instead, I must consider another way of putting things right fairly and reasonably given the circumstances of this complaint. Having done so, I think Everyday Lending Limited should:

- a) Remove all interest, fees and charges applied to the loan from the outset. The payments Ms D made should then be deducted from the new starting balance. If the payments Ms D has made total more than the amount she was originally lent, then any surplus should be treated as overpayments and refunded to her.

As Everyday Lending has sold the debt to a third party, it can either reacquire the debt and adjust the balance, or pay the sum required to achieve the same position to the new owner of the debt.

- b) Remove any adverse information recorded on Ms D's credit file as a result of this loan (once Ms D has repaid any outstanding balance).

## **My final decision**

For the reasons I've explained, I'm upholding Ms D's complaint. Everyday Lending Limited should put things right for Ms D in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 28 March 2022.

Stefan Riedel  
**Ombudsman**