

The complaint

Miss B complains Everyday Lending Limited trading as Everyday Loans irresponsibly lent to her.

Miss B was approved for two loans by Everyday Loans; however, the second loan was taken out in joint names with a third party. As this third party has not given consent to our service to look into this complaint; my decision only focuses on the loan which Miss B took out in her sole name.

Miss B is represented by a claims management company; but for ease of reference I'll refer to all submissions as if they were made by her directly.

What happened

Everyday Loans approved Miss B's loan taken in her sole name in October 2016. This was for a capital amount of £1,700 and had a 24 month term. The repayments were approximately £194 per month.

Miss B says this loan was irresponsibly lent to her. She says the loan was unaffordable to her, and at the time of the application she was experiencing financial difficulties. Miss B says she had a low income; and that her outgoings were exceeding this amount. She says she has lost out financially as a result of Everyday Loans actions as she has had to pay additional interest and charges.

Our investigator looked into Miss B's complaint and recommended that it be upheld. In coming to this conclusion she highlighted:

- Everyday Loans had completed proportionate checks. This is because it had completed an income and expenditure assessment on Miss B and searched her credit file. It had also verified this information by requesting bank statements and information about Miss B's income via benefits;
- Even though Everyday Loans had completed proportionate checks it had still made an unfair decision to lend. This was because the evidence which had been gathered at the point of sale demonstrated that Miss B would not be able to afford the necessary repayment sustainably.

Everyday Loans disagreed with our investigator's findings. It explained the evidence suggested that Miss B would have sufficient income to meet her necessary outgoings as well as the loan repayments sustainably.

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 Miss B. 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 Miss B's ability to afford the loan and repay it sustainably over its term without causing her 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.

Everyday Loans says it completed proportionate checks, and I agree it did in this instance. The application process saw Everyday Loans ask for an income and expenditure assessment from Miss B. It also searched her credit file; and asked her to provide verification of her finances. Everyday Loans calculated Miss B's income to be around £1,600 per month. It used national average statistics to calculate Miss B's outgoings. It calculated this figure to be approximately £1,360 per month. This included an increase in assumption based on the fact Miss B has two dependents.

Miss B provided Everyday Loans with a payslip, confirmation of her benefits payments and bank statements. The credit file search demonstrated that her current active debt was around £2,000, which was made up of a current account and two unsecured loans.

As these checks enabled Everyday Loans to see both Miss B's income and major outgoings; I'm satisfied they gave Everyday Loans a good insight into her finances. As such I agree they were proportionate in this instance.

Even though Everyday Loans completed proportionate checks; it still had to carefully consider the information it had before deciding to lend to Miss B. And it needed to ensure any decision to lend was sustainable – meaning that Miss B 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 Miss B was managing her finances to a very tight budget in the lead up to the application for the loan. They show that her income was in line with the sum Everyday Loans had relied on. However, the statements also demonstrate her outgoings were higher than used by Everyday Loans; and that the reliance on national average statistics was not appropriate.

There are numerous times when Miss B's balance is down as low as single digits; and is in essence at a nil balance. The pattern of spending shows that Miss B was reliant on high cost credit to balance her finances. Miss B took an unsecured loan of £2,000 in the months prior to this loan application. Without this supplementary income it is likely that Miss B would be running a negative balance.

I'm satisfied that considering what these statements demonstrated at the time of application that Everyday Loans decision to lend was unfair. They demonstrate that without the supplementary income of other forms of credit that Miss B was likely running a negative balance at that point in time; or at best a very tight budget. Considering that Miss B had a number of dependents; I'm satisfied whatever remaining balance would not have been sufficient to meet any changes in her circumstances and would likely be unsustainable to her.

As Everyday Loans is aware, sustainable repayments includes Miss B not having to borrow further to meet her outgoings. The statements demonstrate that she was already having to supplement her income by borrowing further. I'm satisfied as such that any further lending would've likely resulted in the same action. So, with this in mind I'm persuaded Everyday Loans' decision was unfair; and it ought've come to the same conclusion based on the information it had at the time.

Putting things right

As Miss B has lost out financially as a result of Everyday Loans actions, as she has had to pay additional interest and charge, I require it to put things right.

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

- Refund any interest and charges which Miss B paid as a result of this loan;
- Pay Miss B 8% simple interest on the refunded interest and charges from the date they were paid to the date of settlement*;
- Remove any adverse information on his credit file in relation to this loan.

*HM Revenue & Customs requires Everyday Loans to take off tax from this interest.

Everyday Loans must give Miss B a certificate showing how much tax it has taken off if she 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 Miss B to accept or reject my decision before 27 May 2022.

Tom Whittington
Ombudsman