

## The complaint

Mr R says Everyday Lending Limited (trading as Everyday Loans) irresponsibly lent to him.

## What happened

This complaint is about a loan provided by Everyday Loans for £1500 to Mr R in May 2018.

Our investigator upheld Mr R's complaint and thought Everyday Loans shouldn't have been given the loan. Everyday Loans disagreed and the complaint was passed to me.

## 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 general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr R's complaint. These two questions are:

1. Did Everyday Loans complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay loans in a sustainable way and without experiencing significant adverse consequences?
  - If so, did it make a fair lending decision?
  - If not, would those checks have shown that Everyday Loans would've been able to do so?
2. Did Everyday Loans act unfairly or unreasonably in some other way?

The rules and regulations in place required Everyday Loans to carry out a reasonable and proportionate assessment of Mr R ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Everyday Loans had to think about whether repaying the loan would be sustainable and cause significant adverse consequences *for Mr R*. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr R undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Everyday Loans to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr R. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a

number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr R's complaint.

*Did Everyday Loans complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the loan without experiencing significant adverse consequences?*

Everyday Loans has provided evidence to show that before lending to Mr R, it asked him for information about his income and expenditure. It also carried out a credit check. It also verified his income by requesting a months' worth of bank statements. Based on those checks Everyday Loans thought it was fair to lend.

Mr R was entering into a significant commitment with Everyday Loans. He was agreeing to make monthly repayments for a period of 2 years. So, I think it is right that Everyday Loans wanted to gather, and independently check, some detailed information about Mr R's financial circumstances before it agreed to lend to him. I think that the checks it did were sufficient to achieve that aim. I think Everyday Loans' checks were proportionate.

*Did Everyday Loans make fair lending decisions?*

I have concluded Everyday Loans made proportionate checks. But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. Those results might sometimes lead a lender to undertake further enquiries into a consumer's financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. This is what I think Everyday Loans should have done.

Everyday Loans obtained bank statements from Mr R when he applied for his loan. On these statements that Everyday Loans would have had in front of it, it shows that Mr R was having problems managing his finances. I say this because the bank statements showed Mr R to be well over his overdraft limit a number of times. In addition, the statements show bank charges and a returned direct debit fee along with a payment made by Mr R to a debt management company. I agree with the investigator as well that overall, the statements did not show that Mr R held the disposable income that Everyday Loans had assessed him to have.

In conclusion, I think the bank statements that Everyday Loans had in front of it shows Mr R was having problems managing his finances at that time and also show on balance, that he wouldn't have been able to repay the loan repayments in a sustainable way. On seeing all of this Everyday Loans shouldn't have made a decision to lend to him.

Everyday Loans needs to put things right.

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

I've also thought about whether Everyday Loans acted unfairly in some other way and I haven't seen any evidence that it did.

**Putting things right**

- refund all interest and charges Mr R paid on the loan;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove any negative information about the loan from Mr R's credit file;

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mr R a certificate showing how much tax it's taken off if he asks for one.

**My final decision**

For the reasons given above, I am upholding Mr R's complaint. Everyday Lending Limited trading as Everyday Loans should put things right for Mr R as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 June 2022.

Mark Richardson  
**Ombudsman**