

The complaint

Ms C complains that Everyday Lending Limited trading as Everyday Loans was irresponsible in its lending to her.

What happened

Ms C was provided with a 24-month fixed sum loan agreement for £1,300 in September 2019. The monthly repayments were around £133.

Ms C says at the time of the lending she had a poor credit history and that she had to borrow further to repay the loan. She says adequate checks would have shown the loan wasn't affordable.

Everyday Loans says that before the loan was provided it gathered information about Ms C's employment, monthly income, monthly rent and used a third-party data source to estimate her living expenses. It received copies of two months' worth of banks statements as well as carrying out a credit check and job check. Based on these checks it says the lending was affordable even before any debt consolidation (which was what Ms C had said the loan was, in part, for).

Our adjudicator thought the checks carried out by Everyday Loans before the loan was provided were reasonable. However, he thought the evidence collected showed that Ms C was struggling financially and that the loan shouldn't have been considered sustainably affordable.

Everyday Loans didn't agree with our investigator's view. It said the defaults on Ms C's credit file were at least 12 months old and that it included an amount for the repayments of the historic defaults in its calculations. It said the payday loans Ms C had taken out were consolidated with the loan and so weren't a reason for the loan not to be granted. It said that the loan was affordable based on its checks and that Ms C experienced a change in circumstances which resulted in her repayment issues.

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.

Everyday Loans will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision.

Before granting the finance, I think Everyday Loans gathered a reasonable amount of evidence and information from Ms C about her ability to repay. I say this because it completed a credit check, gathered information about Ms C's income and expenses and received copies of Ms C's bank statements. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

Ms C's credit report showed that she had experienced financial difficulties previously. She had defaulted on five occasions with the most recent default being just over a year before the loan application. I accept these defaults were historic and note Everyday Loans' comments that the repayments on these accounts were factored into its assessment. I do not think these defaults necessarily mean the loan shouldn't have been provided, but I do think a thorough assessment of Ms C's financial circumstances needed to be undertaken to ensure the new lending was affordable for her.

Having looked through Ms C's bank statements these show that she received income from her employment and also from benefits. These amounts varied and there is a comment in the notes about Ms C's benefit payments being lower in August 2019 due to these being renewed at the time and I can see that a higher amount was paid in the previous two months. That said, I find it reasonable that a conservative approach was taken, and the lower benefits amount included. This gave Ms C a monthly income of around £1,445. This amount was lower than the amount of £1,589 included in Everyday Loans' calculation.

Everyday Loans recorded Ms C's rent as £320, credit commitments of around £486 and living costs of £710. This gives a total of just over £1,500. Having looked through Ms C's bank statements her expenses appear slightly lower at around £1,400. I note that Everyday Loans then included an amount for the debt consolidation and the repayment of its loan and found Ms C had a disposable income of around £69. This is a low amount of disposable income and doesn't provide room for unexpected costs. Taking a different approach and considering the lower income found through Ms C's bank statements but also the lower costs, this still doesn't suggest that the lending would have been sustainably affordable for Ms C.

Ms C's bank statements also showed that she had three returned direct debits in July and one in August, suggesting she was struggling to manage her money.

Based on the information provided, I think that Everyday Loans shouldn't have considered the lending as sustainably affordable for Ms C and therefore I uphold this complaint.

Putting things right

To settle Ms C's complaint, Everyday Loans should:

- Deduct all the repayments Ms C made from the total amount she received through the loan.
 - a) If this results in Ms C having paid more than she received, 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 Loans should attempt to arrange an affordable and suitable payment plan with Ms C.
- Once the capital has been repaid, remove any adverse information recorded on Ms C's credit file relating to loan.

*HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Ms C a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint. Everyday Lending Limited trading as Everyday Loans should take the actions set out above in settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 7 October 2022.

Jane Archer
Ombudsman