

The complaint

Via a professional representative, Mr and Mrs C complain that Everyday Lending Limited, trading as Everyday Loans, lent to them irresponsibly and without carrying out proper affordability checks. They would like all the fees and charges associated with the loan refunded, as well as any negative information removed from their credit file.

What happened

In October 2017 Everyday Loans approved a loan of £7,000 for Mr and Mrs C, which was scheduled to be repaid at approximately £339 per month over a term of 48 months. The loan was intended to consolidate debt, specifically several credit card accounts. When assessing the application, Everyday Loans asked Mr and Mrs C about their financial circumstances; reviewed pay slips and bank statements; and carried out a credit check before approving the lending.

Mr and Mrs C appear to have managed the repayment without difficulty and ultimately settled the loan early.

The adjudicator looked at the evidence and thought that Everyday Loans didn't do anything wrong when it granted this loan. Mr and Mrs C disagreed, and asked an ombudsman to look at their case.

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.

Having done so, I'm not going to uphold it, broadly for the same reasons as those explained by the adjudicator.

I need to first look at what information Everyday Loans had when considering Mr and Mrs C's loan application, and then what information it should have gathered, given what it knew about Mr and Mrs C and their circumstances. If I think it should have gathered more information, to carry out more in-depth checks, I'll go on to consider whether more information ought to have led it to conclude that the borrowing was not sustainable for Mr and Mrs C.

Everyday Loans asked Mr and Mrs C about their income and expenditure, and indeed broader financial circumstances. (In fact, the contact notes suggest several fairly in-depth conversations.) They evidenced their monthly earnings of over £4,000 through bank statements, and Everyday Loans estimated their basic living expenses to be around £1,000. I'm satisfied that their housing costs were minimal and deducted from Mr C's salary, so those living expenses seem reasonable. The credit check it carried out showed Everyday Loans that Mr and Mrs C had provided an accurate picture of their debts. In fact, I can see a detailed assessment on the application file of each of their debts at the time, showing settlement figures and monthly repayments. It's clear that Mr and Mrs C had a lot of unsecured debt, spread across many different accounts and lenders. But I'm

satisfied that it was all taken into account in Everyday Loans' assessment.

In all the circumstances of this case, including the amount and term of the loan; Mr and Mrs C's income; and the absence of any flags for concern on the information it had, I think Everyday Loans' checks went far enough.

I'll now summarise what those checks showed.

- The bank statements show well-managed accounts with no evidence of concerns. The main joint account was always in credit and typically had a fairly healthy balance, suggesting the existence of reliable disposable income. Mr and Mrs C each had separate sole accounts, which again raised no issues. Whilst Mr and Mrs C's representatives have highlighted unpaid direct debits as a sign that this borrowing wasn't affordable for them, I can only find one instance of that in the months leading up to this borrowing. And the evidence doesn't suggest that returned direct debit was as a result of there being insufficient funds in the account. The direct debit in question was very small, and there was a healthy balance in the account at the time. So whilst it isn't clear why that payment was returned, I don't think it's because it wasn't affordable for Mr and Mrs C.
- Both payslips and the bank statements confirm the income of around £4,100 on which Everyday Loans based its assessment.
- The credit check showed no difficulties for Mr and Mrs C in managing their admittedly substantial unsecured debt.
- There is no evidence that Mr and Mrs C needed more money than Everyday Loans had accounted for to service debts. Or that their monthly living expenses were significantly higher than Everyday Loans' income and expenditure (I&E) had estimated. Once the nominated credit card accounts were settled with this borrowing, and this repayment taken into account, I accept that Mr and Mrs C had a monthly repayment burden of nearly £1,600. But in their particular circumstances (i.e. their income and minimal housing costs) I don't think that amount was problematic or unaffordable.
- Mr and Mrs C's representatives say that the existence of payments to debt collectors, shown on the bank statements, again demonstrates that this borrowing wasn't sustainable. It's clear that Everyday Loans recognised this issue when assessing the application. The amounts are taken into account fully on the I&E, and the contact notes show a discussion about this with Mr and Mrs C. They explained to Everyday Loans that those defaults were historic, and had occurred at a time when things were very difficult for them in terms of family health and Mrs C being unable to work. As the credit check showed no recent credit problems, that explanation seems entirely plausible. I also note that many of the accounts with debt collectors were seemingly very small by this time and indeed would appear to have been on the verge of being fully settled.
- There is evidence, particularly from Mr C's sole account bank statement, of repeated gambling. (Although one of the organisations cited by Mr and Mrs C's representatives as being evidence of a gambling problem was in fact Mrs C's employer, and it is clear it only deposited money into the account.) The contact notes show that Everyday Loans raised this with Mr and Mrs C, who apparently said that Mr C was going to stop. In any event, the bank statements show that essentially Mr and Mrs C could afford Mr C's gambling. So the fact that he chose to

spend money in this way doesn't necessarily mean that it was a sign of financial difficulties.

In the round the checks and assessment showed that, whilst Mr and Mrs C were carrying a large amount of unsecured debt, and had clearly historically had significant difficulties managing credit, they had sufficient income to be able to afford this repayment without borrowing elsewhere. And there were no signs of financial difficulties. It therefore follows that I do not uphold this complaint.

My final decision

For the reasons I've explained, I don't uphold this complaint and Everyday Loans doesn't need to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 17 November 2022.

Siobhan McBride

Ombudsman