DRN-3805369

The complaint

Miss B complains that Everyday Lending Limited trading as Everyday Loans (Everyday) irresponsibly provided her with a high cost loan that she couldn't afford to repay.

What happened

Everyday provided Miss B with a loan for £2,100 on 19 July 2017. This was repayable over 24 months at a rate of £175.57 a month. The loan was partly to repay her mother the money she'd lent her to buy a car and partly to pay for a holiday. She got into difficulties over paying the instalments for the loan from about February 2018 and agreed a deferral of payments. In May 2018 she advised Everyday that she was off work due to long term sickness. She agreed a further deferral in September 2018 because of her new job. As far as I can see there is still a substantial balance due to pay. Miss B complained to Everyday about irresponsible lending. She said that at the time of applying for the loan, she had a bad credit record with missed payments, defaults and a CCJ (County Court Judgement). She also said that Everyday lent her more money than she'd asked for.

Everyday said it carried out all necessary eligibility checks. These included obtaining and reviewing Miss B's credit record, reviewing one month's payslip and the most recent two months' statements for Miss B''s bank account. It used ONS (Office for National Statistics) data to assess her outgoings. It noted that Miss B lived at home with her parents and that she had no active debts on her record. It assessed that the loan was affordable.

On referral to the Financial Ombudsman our adjudicator said that whilst the loan repayment represented a significant proportion of Miss B's income her monthly disposable income was enough for her to afford the repayments.

Miss B disagreed and said her credit record would have shown she had a number of active accounts.

The matter has been passed to me for further consideration.

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 the relevant rules, guidance, and good industry practice - on our website.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Everyday complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay the loans in a sustainable way?

- If not, would those checks have shown that Miss B would have been able to do so?

The rules and regulations in place required Everyday to carry out a reasonable and proportionate assessment of Miss B's ability to make the repayments under the agreements. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Everyday had to think about whether repaying the loans would be sustainable. In practice this meant that Everyday had to ensure that making the repayments on the loans wouldn't cause Miss B undue difficulty or significant adverse consequences. That means she should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment she had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on her financial situation.

In other words, it wasn't enough for Everyday to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Miss B**.** 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. I think that such a 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 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).

Everyday's checks had to be proportionate – it isn't required in every case to carry out a detailed analysis of the customer's financial circumstances. In this case it obtained a credit report, and verified Miss B's income by reviewing her payslip – the income figure is also set out in the bank statements Everyday obtained from Miss B. As for the living expenses we do regard it as appropriate for the business to use ONS data to assess this unless it has reason to think that figure might not be accurate.

The credit report obtained for Miss B showed that at the time of her application she had no open credit accounts, whether loans credit cards or any other sort of credit. Miss B says this isn't accurate as she was in lot of debt at the time. All I can say is that credit reports might not be entirely accurate if for example an account had been take out very recently. It might not show closed accounts but I don't think it was unreasonable for Everyday to consider just active records. I've seen no documentary evidence that Miss B had other open credit accounts CCJs or loans at the time of applying for the loan.

I've also considered Miss B's bank statements – these don't show any payments to outside lenders and she was not overdrawn for the two month period shown in her statements. I have noted that Miss B was paying a standing order of £250 a month which was noted on Everyday's file as a payment to her mother who had lent her the money to buy a car. Since this loan was to repay her mother I think it was reasonable for Everyday to accept that that standing order would no longer be payable after the loan was issued.

As the records didn't show any other debts, Everyday could only take into account the actual monthly payment for this loan. I should say that Miss B's monthly income though assessed at £1,750 was, according to her payslip and bank statement £1,483.65. Even so, she would only have been paying about 12% of her income on credit commitments. Although Everyday should consider this my view is that the amount she would be paying for the new loan represented a reasonable proportion of her income.

As for the disposable income using the lower figure for her income she would still have had over £700 of disposable income. So in my view it was reasonable to assess that the loan was affordable.

I think that the checks Everyday carried out were proportionate and that nothing showed up in those checks which might have alerted Everyday to carry out any more detailed assessment of Miss B's financial circumstances. In respect of giving her a loan for more than she had asked for, it appears that the loan was agreed in Everyday's branch office, and I don't know what discussions may have taken place. It appears that the sum to be lent was what was needed for the repayment of the car loan and the holiday. So long as Miss B could afford the amount of the loan, I don't think this was unreasonable. I think Everyday made a fair lending decision.

I do understand that Miss B has had difficulties since taking out the loan resulting in her having to ask for deferrals and reductions in the amount to be paid. Whilst I can't find that Everyday should have not lent her the money it nevertheless still has to treat her sympathetically, and I would urge her to approach Everyday regarding future payments and/or to approach any of the organisations that offer help to people in her circumstances. If she's unsure who to approach she can ask Everyday or our adjudicator who can provide details.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 12 December 2022.

Ray Lawley
Ombudsman