

## **The complaint**

Mr M complains that Everyday Lending Limited, trading as Everyday Loans, lent to him when he could not afford it.

## **What happened**

Mr M was approved for one loan in March 2017. It was for £5,000 and the repayments were scheduled to be £372.67 a month for 36 months. The total to pay when interest had been added to the loan was £13,426.12. My understanding is that he has repaid to Everyday Lending over £8,000 and that figure may be higher by the time I'm writing this.

Mr M complained to Everyday Lending and received a final response letter in which it gave details of the checks it did before approving the loan. It did not uphold his complaint.

Mr M referred his complaint to the Financial Ombudsman Service and one of our adjudicators thought that Everyday Lending had enough evidence to recognise that Mr M was having trouble managing his money and ought not to have lent to him.

Everyday disagreed and said:

*'The evidence he submitted to support his application does not indicate he was having problems managing his money and he provided plausible and reasonable explanations for any derogatory information we did sight.'*

The unresolved complaint was passed to me to decide.

## **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 Lending, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr M would be able to repay in a sustainable way?
- If not, would those checks have shown that Mr M would have been able to do so?

The rules and regulations in place required Everyday Lending to carry out a reasonable and proportionate assessment of Mr M's 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 Lending had to think about whether repaying the loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn’t cause Mr M undue difficulty or significant adverse consequences. That means he 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 he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

In other words, it wasn’t enough for Everyday Lending simply to think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr M. 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 several factors including – but not limited to – the 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 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 the arguments, evidence and information provided in this context and what this all means for Mr M’s complaint. My decision is that I uphold the complaint.

I have seen that Everyday Lending obtained a payslip from Mr M, reviewed some bank statements, and did a credit search before lending. I’ve been given copies. Mr M’s credit file was relatively positive and his salary was regular. But the bank statements revealed returned payments and that one month he could not afford his rent.

It was also clear that Mr M had more outgoings than the usual ones for his immediate day to day living and household bills. And I say that because Mr M was transferring regular amounts of money to family abroad and was supporting his son at University in UK. I can see that Everyday Lending asked him about this at the time due to the annotations on the statements.

Having reviewed it all carefully I do not think that Everyday Lending should have ignored this aspect of his life and expenses as it was unlikely to change. And so, the total amount to repay combined with the term of the loan being as long as it was then I think it should have realised that this was not going to be possible for Mr M to afford it without borrowing further to pay for it.

I uphold Mr M’s complaint.

## **Putting things right**

Everyday Lending should take back the debt from the debt collector if it can and ensure that the following is done:

- Remove all interest, fees and charges applied to the loan,
- Treat any payments made by Mr M as payments towards the capital amount of £5,000,
- If Mr M has paid more than the capital then any overpayments should be refunded to with 8%\* simple interest from the date they were paid to the date of settlement,
- But if there's still an outstanding balance, Everyday Lending should come to a reasonable repayment plan with Mr M
- Remove any adverse payment information about the loan from his credit file.

\*HM Revenue & Customs requires Everyday Lending to take off tax from this interest. It must give Mr M a certificate showing how much tax it's taken off if he asks for one.

## **My final decision**

My final decision is that I uphold the complaint and I direct that Everyday Lending Limited does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 February 2023.

Rachael Williams  
**Ombudsman**