

The complaint

Miss B complains Everyday Lending Limited irresponsibly lent to her.

Miss B is represented by a claims management company. For ease, I'll refer to all submissions as if they were made directly by her.

What happened

Miss B was approved for a £2,000 loan by Everyday Lending in April 2019. The term of the loan was 24 months, with repayments of effectively £155 per month. Miss B complains this loan was irresponsibly lent. She says Everyday Lending did not complete reasonable and proportionate checks prior to the lending decision. She says had Everyday Lending done this it would've seen the loan was unaffordable to her and not provided it. Miss B says she has lost out financially as a result of this loan as she has had to pay additional interest and charges. Shortly after being approved for the loan Miss B entered into a repayment plan via a debt charity.

Our investigator recommended the complaint be upheld. She felt that Everyday Lending's own checks had demonstrated that Miss B would only have a small amount of disposable income left per month. She felt this meant the loan was likely unsustainable, and taking the relevant rules and guidance which applied at the time, meant the loan was unaffordable to Miss B.

Everyday Lending disagreed with the assessment. It maintained that it had made a fair lending decision and that the checks it completed demonstrated Miss B could sustainably afford the loan repayments.

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 approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide Miss B's complaint.

Everyday Lending and Miss B are aware of our service's approach to unaffordable and irresponsible lending complaints, so for the sake of conciseness I won't set the detail here.

All parties agree reasonable and proportionate checks were completed in this instance. So I won't enter into much discussion here, other than to say I agree with they were. Everyday Lending completed an income and expenditure assessment, obtained bank statements and searched Miss B credit file (this showed Miss B had around £16,000 worth of credit). Whilst the credit file demonstrated that Miss B had some issues with some of her credit cards around six months prior to the lending decision, the rest of her accounts were being maintained in-line with expectations. Considering the relatively low value of the loan, I'm

satisfied these checks gave Everyday Lending a sufficient understanding of Miss B's financial circumstances to enable it to make a fair lending decision.

With that being said, it wasn't sufficient for Everyday Lending to just complete proportionate checks – it also had to consider the information it obtained from these checks to make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without having to borrow further.

Everyday Lending say that after taking into consideration the information it gathered from Miss B that she would have had around £80 disposable income. It arrived at this figure by using Miss B declared income of approximately £1,700 and deducting her rent/mortgage payment of £465, payments to her existing creditors (approximately £570), it's loan repayment and then using national average statistics to calculate Miss B's living costs. It says this assessment demonstrated that Miss B could sustainably make the repayments to this loan.

I've considered Everyday Lending's argument but in this instance, I disagree with it. Everyday Lending says Miss B would have sufficient income to meet the repayments sustainably. However, in coming to this conclusion it has relied on national average statistics, and it also worked out her repayments for her credit cards at a rate of around 3%. I'm not satisfied using this approach to calculate Miss B's affordability assessment was reasonable in this instance.

The national average statistics are an estimation; and as such I'm not satisfied they are as persuasive when considering the likely disposable income Miss B would have left at the end of each month. That is to say I'm not persuaded they are reliable enough to suggest in this instance that Miss B would be able to sustainably repay the loan. This is enhanced when applying a reasonable repayment rate of around 5% (instead of the 3% it provisionally did) to Miss B's existing credit card commitments; placing further stress on the likelihood Miss B would be able to meet this commitment sustainably.

Overall I'm satisfied that the information Everyday Lending gathered as a result of its checks demonstrated that it was more likely than not that Miss B would be unable to meet the repayments of this loan sustainably. It therefore follows that I'm not satisfied it made a fair decision to lend.

Putting things right

As Miss B has lost out financially as a result of Everyday Lending's actions; it needs to put things right. Everyday Lending has confirmed the loan account was settled in April 2022.

In order to do so, I require Everyday Lending Limited to:

- refund all of the interest and charges Miss B has paid related to this 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 in relation to this loan from Miss B's credit file.

*HM Revenue & Customs requires Everyday Lending Limited to deduct tax from this interest. Everyday Lending should give Miss B a certificate showing how much tax it's deducted, if she asks for one.

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 20 June 2023.

Tom Whittington
Ombudsman