

## The complaint

Ms J complains that Everyday Lending Limited (“EDL”) irresponsibly agreed loans for her.

## What happened

EDL agreed two loans for Ms J. The first was taken out in June 2021, the second in March 2022. Ms J used some of the capital from her second loan to fully repay her first. I’ve summarised some of the information EDL provided about these loans in the table below.

	Start date	End date	Amount borrowed	Monthly payments	Loan term (months)	Total owed
Loan 1	01/06/2021	18/03/2022	£7,500	£469.06	24	£11,257.44
Loan 2	18/03/2022	Ongoing	£12,500	£443.47	48	£21,286.56

Ms J complained to EDL that it had been irresponsible to lend to her. She said that it hadn’t carried out correct checks beforehand and the loans were unaffordable.

EDL didn’t uphold Ms J’s complaint. It said that it carried out reasonable and proportionate affordability checks before agreeing each loan and found that the repayments would be sustainable over the term as she had sufficient disposable income to meet them.

Ms J referred her complaint to us and our investigators looked into things. They ultimately found that the checks EDL carried out before lending to Ms J each time showed that the loans would be affordable for her. They concluded that EDL didn’t get anything wrong in lending to Ms J and so didn’t recommend that her complaint be upheld.

Ms J didn’t agree with this recommendation and asked for her complaint to come to an ombudsman to decide and it’s come to me.

Ms J also complained about an earlier loan taken out with EDL which ran from May 2018 to March 2020. As we’ve already explained, EDL entered into a Scheme of Arrangement in June 2023. This is an arrangement between EDL and its borrowers which covers loans taken out before 31 March 2021. It wouldn’t be appropriate for me to look at complaints about loans which might be included in the scheme, therefore my decision deals solely with Ms J’s loans taken out later in 2021 and 2022.

## 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.

I’ve also had regard to the regulator’s rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as EDL, need to abide by. EDL will be aware of these, and our approach to this type of lending is set out on our website, so I won’t refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, EDL needed to check that Ms J could afford to meet her repayments out of her usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences.

The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and take into consideration Ms J's circumstances. EDL needed to pay proper regard to the outcome of its checks in respect of affordability risk. Ultimately, EDL needed to treat Ms J fairly and take full account of her interests when making its lending decision.

The questions I've considered are whether or not EDL carried out proportionate affordability checks before lending to Ms J? If not, what would such checks have shown? Did the checks EDL carried out show anything of concern and ultimately, did EDL treat Ms J fairly and with due regard to her interests when it offered her the loans?

EDL provided the information it relied on when assessing Ms J's applications which included its income and expenditure records, information from her credit file, bank statements for her current account for two months prior to lending and evidence of her income from her employer. EDL also provided loan account statements and customer notes, which set out its considerations of some of the figures it used in its assessment and the discussions it had with Ms J about these.

Ms J provided a copy of her credit file, her bank statements covering the months before each loan and information from her employer.

#### Loan 1 – June 2021

I think it's fair to say that EDL gathered sufficient information to carry out a reasonable affordability assessment and discussed the purpose of the loan in detail with Ms J. I've reviewed everything to consider whether EDL made a fair lending decision.

Ms J said that she was self-employed with a net monthly income of £3,225. EDL verified this figure with a statement of income from Ms J's employment which covered the financial year 2020 to 2021, an invoice from the month before and her bank statements. Ms J's income came from different sources and it did vary from month to month, but it came to more than the figure EDL relied on, reaching around £4,000 on average over the three months prior to the loan.

Ms J said that part of her income went towards covering food, transport and living costs for the people in her care and so shouldn't be included in any assessment of her means. I think it's reasonable to include this income in an assessment as long as the relevant costs are also included, which I can see EDL did here.

EDL estimated that Ms J spent £395 each month repaying debt based on what it saw on her credit file. This included a loan with repayments of £155 and five credit cards with balances of under £7,000. Ms J's bank statements show that she paid a lot more towards her credit cards on occasion, and had repaid a short term loan a few months before in February. EDL estimated that Ms J's living costs, based on national statistical datasets, came to £931 and this figure is broadly in line with what I can see on the bank statements. Ms J said her rent was £850 so her usual monthly expenses came to less than £2,200.

In addition to the above costs, Ms J sent money overseas each month. These transfers amounted to £898 in March and £1,102 in April 2021, for example. Ms J said that EDL should have taken these payments into account. I can see from the customer contact notes EDL provided that it asked Ms J about these payments and she explained that the money was spent on a property of hers and paid to a family member. She said she only paid what she could afford and if she couldn't afford it then she didn't send anything. From what I've

seen the payment amounts vary and seem to be sent as and when. I don't think it was unreasonable of EDL to accept what Ms J said about them.

I haven't seen anything in the available information which suggests that EDL treated Ms J unfairly or without due regard to her interests when it agreed this first loan. It did potentially commit her to spending £865 a month on her debts going forward, which is a sizeable amount. However, there was no adverse information on her credit file and it seems Ms J had enough disposable income to meet her repayments sustainably over the loan term. Altogether, I don't think EDL acted irresponsibly here.

I understand that Ms J met her repayments for this loan until it was refinanced into her second loan.

### Loan 2 – March 2022

As with Ms J's first loan, I think it's fair to say that EDL gathered sufficient information to carry out a reasonable affordability assessment and discussed the purpose of the loan in detail with her. I've reviewed everything to consider whether EDL made a fair lending decision on this occasion.

Ms J declared the same income as before, and EDL estimated she had an income of £3,290 based on her bank statements plus additional income which covered most of her rent. EDL provided these bank statements, which have detailed annotations and confirm this level of income at least. I've reviewed the bank statements which show that Ms J's income varied and was from different sources, but altogether averaged about £4,300 in the two months prior to the loan.

EDL estimated that Ms J's living costs remained at a similar level as before, but she was now spending around £1,400 a month on debt repayments. In addition to the above costs, Ms J was still sending money overseas, amounting to around £3,400 net for January and February combined. As I've explained above, I don't think it was unreasonable of EDL to disregard these payments given Ms J's explanation.

I think this assessment might have raised serious concerns for EDL given that it concluded Ms J had taken on further borrowing since her first loan in June 2021 and was spending significantly more on her debts than she'd been less than a year ago. Ms J's total balance across three loans and six credit cards amounted to over £22,500.

However, the loan was taken out in part to consolidate some of this debt, specifically Ms J's three loans: her first EDL loan with a settlement figure of £5,853; two loans with settlement figures of £4,110 and £810, and some of her buy-now-pay-later debts. Agreeing this second loan left Ms J with a credit card balance of over £10,000 and her new EDL loan of £21,286, potentially spending between £900 and a £1,000 a month repaying debt altogether.

While this is a sizeable amount to spend each month on debt, it seems Ms J had enough income to meet her other expenses and have income left over such that there wasn't an obvious affordability risk. Having considered this point carefully, I can't find that EDL treated Ms J unfairly and without due regard to her interests when it agreed this loan, given her level of disposable income and that there were no other indications of financial difficulty on her credit file or bank statements. EDL's assessment found that Ms J would have been able to meet her loan repayments without difficulty, and my review hasn't found otherwise. Altogether, I've concluded that EDL wasn't irresponsible when it agreed to lend to Ms J in March 2022.

I understand that Ms J met her repayments for the loan until early 2023, when she was off work for a time with health issues and then had a short-term reduction in her income. This resulted in arrears of just under £600. I can see from the customer notes that EDL and Ms J remained in contact throughout the year, Ms J has resumed her payments and EDL has recently offered to defer the arrears to the end of the loan term.

In summary, I haven't found that EDL was irresponsible when it agreed to lend to Ms J in 2021 or 2022. I appreciate that this will be very disappointing for Ms J but it follows that I am not upholding her complaint.

### **My final decision**

For the reasons I've explained above, I am not upholding Ms J's complaint and Everyday Lending Limited does not need to take any further action in this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 27 February 2024.

Michelle Boundy  
**Ombudsman**