

## **The complaint**

Mr B complains that Everyday Lending Limited (“EDL”) irresponsibly agreed a loan for him.

## **What happened**

EDL agreed a loan of £2,000 for Mr B in September 2022. The total amount owed was £4,729 to be repaid at £197 a month over 24 months (figures rounded).

Mr B complained to EDL that he was having difficulty managing his existing debts and that it would have learnt this had it carried out further checks before lending to him.

EDL didn’t uphold Mr B’s complaint. It said that it carried out a reasonable and proportionate affordability check before lending to Mr B and found that the loan would be sustainable for him over the term as he had sufficient disposable income to meet the repayments. I understand that Mr B met his repayments at least up until January of this year when EDL provided him with its final response to his complaint.

Mr B referred his complaint to us. One of our investigators looked into the complaint and recommended that it be upheld. They concluded that EDL had treated Mr B unfairly by lending to him when he was having difficulties managing his finances at the time.

EDL didn’t agree with this recommendation and asked for the complaint to come to an ombudsman to decide and it came to me. I issued a provisional decision on 8 December 2023 explaining why I didn’t think Mr B’s complaint should succeed. I allowed some time for comments or new information from either party and have had no responses.

## **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 reviewed everything again, and having no further comments or new information from either party to consider, I see no reason to depart from my provisional conclusions. I appreciate that this will be very disappointing for Mr B but I am not upholding his complaint. I’ll explain my reasons again in this final decision.

As before, I’ve 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 Mr B could afford to meet his repayments out of his 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 Mr B’s circumstances. EDL needed to pay proper regard to the outcome of its checks in respect of affordability risk. Ultimately, EDL needed to

treat Mr B fairly and take full account of his interests when making its lending decision.

The questions I've considered are whether or not EDL carried out a proportionate affordability check before lending to Mr B? If not, what would a proportionate check have shown? Did the checks EDL carried out show anything of concern and ultimately, did EDL treat Mr B fairly and with due regard to his interests when it offered him the loan?

EDL provided the information it relied on when assessing Mr B's application which included his employment contract, information from his credit file and his bank statements for June to August 2022.

EDL said that Mr B's contract of employment stated his annual oncome as £28,780, or around £1,966 net per month. Mr B's employment contract began on 8 August 2022 and his bank statements show regular weekly payments which support this level of salary. From what I can see it's not a zero hours contract and it seems reasonable to accept that Mr B was going to be paid a similar amount regularly going forwards. EDL estimated that Mr B's monthly income was around £2,043 in total based on his income plus child benefit payments.

EDL estimated Mr B's living expenses as £987 and his monthly repayments on debt as £1,119. Mr B said his rent was £380 so altogether Mr B had monthly expenses of £2,486. The loan was to consolidate some of Mr B's debts, and pay for home improvements and a holiday. EDL said the loan would reduce Mr B's monthly debt payments to £250 so his total monthly expenses going forwards would be £1,617. EDL concluded that the loan repayments of £197 would be affordable for Mr B.

As mentioned, EDL estimated that Mr B was paying £1,119 a month towards his debts, which is a significant proportion of his monthly wages. The credit search EDL carried out showed that Mr B had a hire purchase agreement with a balance of £6,297 and repayments of £225 and a revolving credit facility with a balance of £869. EDL included this full outstanding balance in its debt repayment estimates, which is not necessarily what Mr B would need to pay each month. So I don't think this estimate would have raised concerns for EDL that Mr B was overindebted and that further credit might be unsuitable for him.

The bank statements show that Mr B was fully using his overdraft of £2,000 and paid about £45 a month in overdraft charges. Looking at the transactions it doesn't seem to me that Mr B's living costs or debt repayments were any higher than EDL's estimates. However, Mr B had gone over this overdraft limit in August and had several direct debits returned. I think it's fair to say that Mr B's finances were under pressure at that time.

EDL said that Mr B told it that he'd recently changed jobs and prior to this had been self-employed and not earning as much as he thought he would and so relied on his credit account for a time. It noted that Mr B was in a better position now as he was in permanent employment and the loan was to be used in part to clear the balance on the credit account. The information EDL had supported Mr B's explanation and I don't think EDL treated him unfairly here by accepting that his financial pressures were temporary.

The credit search EDL carried out showed one account which defaulted in early 2019 with a balance of £390. EDL said it asked Mr B about this and he said that he had taken out the account for an ex-partner who had stopped making payments towards it. Given how long ago this defaulted, I don't think it should have led EDL to decline to lend to Mr B or ask him for more information for its assessment.

Altogether, I think EDL carried out a proportionate check here. It gathered information about

Mr B's income and expenses, and verified these figures before agreeing to lend to him. I don't think the checks revealed anything which should have led to a decline or prompted EDL to carry out further checks before lending to him. It follows that I don't think EDL was irresponsible to lend to Mr B on the basis of the information it had.

Mr B said in his complaint to EDL that he had missed or late payments on two of his accounts and that it should have seen he was in financial difficulty when he applied for the loan. Mr B provided a copy of his full credit file to us and I've reviewed this. It showed that Mr B defaulted on a second loan in September 2019 with a default balance of £3,633 and that he wasn't making payments to this or his other defaulted account. The credit file also showed that Mr B had late payments on his credit account (which this loan would repay) and a telecoms account.

I appreciate that Mr B's credit file showed more information than EDL saw, but credit file reports can vary between the credit reference agencies. Even if EDL had seen this information I don't think it would have declined to lend to Mr B. It had been two years since his last default and Mr B had explained that he'd been having some recent problems with his finances because of his employment circumstances which had now changed. I remain of the view that EDL didn't lend irresponsibly here and I am not upholding Mr B's complaint.

### **My final decision**

For the reasons I've explained above I am not upholding Mr B's complaint about Everyday Lending Limited and it doesn't need to take any further action in this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 February 2024.

Michelle Boundy  
**Ombudsman**