DRN-4743373

The complaint

Miss V complains that Everyday Lending Limited trading as Everyday Loans was irresponsible in its lending to her. She wants all interest removed from the loan and to be allowed to make smaller payments to repay the amount borrowed. She also wants any adverse information removed from her credit file.

What happened

Miss V was provided with a £3,000 loan by Everyday Loans in July 2021. The loan was repayable over 36 months with monthly repayments of around £280. Miss V says that the loan was unaffordable, and that Everyday Loans would have realised this had it carried out adequate checks. She explains that her credit file showed she was fully utilising her overdraft and had credit card and store card debts. Miss V says she was told her income and expenditure as well as the household income would be checked through her bank statements, but this didn't happen.

Miss V says the loan has led her into greater financial crisis and she cannot afford the repayments.

Everyday Loans sent a final response dated 20 July 2023. It said that Miss V took out the loan to buy a car and to consolidate a previous loan from Everyday Loans. It said before the loan was provided it checked Miss V's bank statements, payslips and credit records. It said that Miss V confirmed she was employed with a monthly net income of around £1,432 and that she was paying £700 a month for rent. Everyday Loans used third party data to estimate Miss V's living costs and calculated her monthly expenditure as around £1,229, leaving disposable income of around £175.

Our investigator didn't uphold this complaint. He thought that Everyday Loans had carried out proportionate checks before providing the loan. He assessed the information gained through the checks and said this showed the loan to be affordable.

Miss V didn't accept our investigator's outcome. She said the estimates Everyday Loans used to assess her expenditure were not accurate and this could be clearly seen in her bank statements. She said that having a clean credit file didn't mean she wasn't in financial difficulty as she was taking out new loans to repay existing ones until she couldn't borrow anymore. She noted Everyday Loans approach of attributing 50% of household costs to her as she lived with her partner but said it didn't check her partner's income and had no proof of their contribution to bills at the time. She didn't accept that she had been assessed for the loan based on her individual circumstances.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, Everyday Loans gathered information about Miss V's income and expenditure and carried out a credit check. Miss V's income was verified through her payslips and third-party data was used to estimate her expenses and copies of her bank statements were received for further checks. Miss V was asked about her housing costs and said she shared with a partner. Miss V's credit check didn't raise concerns that suggested she was in financial difficulty. Considering the size of the loan (taking into account that it was in part to consolidate a previous loan) and the repayments compared to Miss V's income, I think that the checks carried out were proportionate.

However, just because I consider the checks were reasonable, this doesn't mean that the lending was necessarily responsible. To assess that I have considered what the information provided showed and whether, based on this, the loan should have been provided.

Having looked at the information gathered about Miss V's income, including copies of her payslips, I find it was reasonable for Everyday Loans to use a monthly net income figure of £1,432. This amount was the average of the previous three months net income and so I find it gives a reasonable basis for the assessment.

Miss V has said that her expenses weren't accurately assessed, and an assumption was made that her partner contributed 50% towards housing costs. It isn't unreasonable that Everyday Loans will have used estimates for certain expenses in order to assess the affordability of the loan. But in this case, as it had copies of Miss V's bank statements, and there are annotations on these which show they were considered, I think it would have been reasonable to use these alongside any estimates to ensure it had an accurate understanding of Miss V's monthly expenses.

Miss V said that she was a tenant with monthly housing costs of £700. She was living with a partner and Everyday Loans apportioned 50% of the housing costs to the affordability assessment. I note Miss V's comment about this but, as there is nothing in her statements to show she was paying the full amount, I do not find this approach unreasonable. I have also looked at the amounts included for Miss V's other costs such as utilities, travel and general living costs and considered these against the amount shown in her statements. In the statements provided I couldn't see regular payments for utilities but there were payments for communications and media accounts and the gym as well as other general spending and I do not find that the amounts included in the Everyday Loans assessment were unreasonable. So, in this case I think that the information gathered about Miss V's expenses was reasonable and this supports the amounts included in the assessment.

Based on the information contained in Miss V's credit report, the evidence in her statements and the additional information provided I find the amount included for credit commitments of around £315 was reasonable. Of this amount, monthly repayments of around £250 were for the loan previously provided by Everyday Loans and repaid with the new borrowing. So, including the repayments for the new loan would increase Miss V's monthly credit commitments to around £345.

Taking all of the above into account, I do not find I can say that the information gathered through the checks suggested the loan to be unaffordable. Therefore, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 29 May 2024.

Jane Archer
Ombudsman