

## **The complaint**

Miss O complains that Everyday Lending Limited, trading as Everyday Loans (“EL”), provided her with a loan that wasn’t affordable for her.

## **What happened**

In February 2024, Miss O successfully applied to EL for a £2,500 personal loan and received the loan funds that same month. A few months later, in May 2024, Miss O raised a complaint with EL as she felt the loan that they had provided to her wasn’t affordable for her, and that this should have been evident to EL, had they undertaken a reasonable assessment of her financial circumstances before providing the loan to her. Miss O also complained that the interest rate on the loan was too high.

EL responded to Miss O and explained that they had undertaken a detailed assessment of her financial position before providing the loan, and that this check had shown that the loan would most likely have been affordable for Miss O. And EL also noted that the loan interest rate had been disclosed to Miss O before she accepted the loan. Miss O wasn’t satisfied with EL’s position, so she referred her complaint to this service.

One of our investigators looked at this complaint. They didn’t feel that EL had conducted an accurate affordability check on Miss O, and that if they had, they would have realised that the loan wouldn’t have been affordable for her.

Because of this, our investigator said that EL should remove all interest from the loan, so that Miss O was only required to repay the capital balance that she borrowed, and then come to a new repayment arrangement with Miss O that was reasonably affordable for her. EL didn’t agree with the view of this complaint put forward by our investigator. So, the matter was escalated to an ombudsman for a final decision.

## **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 issued a provisional decision on this complaint on 11 November 2024 as follows:

*It’s for a business to decide whether it will offer a loan to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new loan, the business would undertake reasonable and proportionate borrower focused checks to ensure that the loan being offered to a customer is affordable for that customer at that time.*

*EL believe that they did that here and note that when Miss O applied to them for a loan, they took information from her about her employment status and financial position. EL also obtained information from a credit reference agency to get a better understanding of Miss O’s wider financial position. And EL maintain that having gained what they feel was an accurate understanding of Miss O’s position at that time, that the loan that Miss O had*

*applied for was likely to have been affordable for her.*

*The information that EL gathered from Miss O included that she was in full time employment with monthly income of £2,264. This equates to net annual income of approximately £27,168. And this income amount appears to be confirmed by Miss O's bank statements, which show £2,264 employment income being received by her in the months immediately preceding the loan application.*

*Miss O also advised EL that she was living with her parents, to whom she paid £100 per month as rent. And again, this is confirmed by Miss O's bank statements, which show monthly payments of £100 referenced as 'rent' being made.*

*As part of their creditworthiness assessment, EL also reviewed Miss O's credit file. This showed that Miss O two active credit cards and two mail order accounts, on which Miss O had a combined outstanding balance of £909. Miss O's credit file also showed that Miss O had two current accounts with overdraft facilities, which when considered with her credit cards and mail order credit facilities meant that Miss O had a total credit facility available to her of £2,200.*

*Given Miss O's annual income approximately £27,000, her levels of borrowing at the time of the loan application don't seem concerning to me. And I note that Miss O's combined credit balance of £909 was only about 3% of her annual income, while her total existing credit facility of £2,200 was a little over 8% of her annual income.*

*Miss O's credit file also shows a hire purchase agreement for a car which had an outstanding balance of over £12,000. But EL's application notes explain that Miss O wanted the £2,500 loan as she wanted to return the car (because it had engine problems), and needed £2,500 to do so, as per the hire purchase agreement, after which time she would look to obtain a new car hire purchase agreement that was cheaper for her. It therefore seems that the £2,500 loan that Miss O obtained from EL was beneficial for her, as it allowed her to return a car on a hire purchase agreement that was problematic for her.*

*EL's application notes also demonstrate that they held a detailed conversation with Miss O about her recent bank statements and the transactions therein. This includes understanding Miss O's regular payments, including to family and friends, as well as one-off payments that Miss O had undertaken, such as purchasing Christmas presents for family members.*

*Reviewing Miss O's bank statements myself, I don't find EL's conclusion that the statements were unproblematic and didn't appear to indicate any potential lack of affordability to repay the loan to be unreasonable. Indeed, I note that on Miss O's primary account, the account balance remained relatively healthy throughout the months immediately preceding the loan application. And I also note that Miss O engaged in regular leisure spending that I feel further indicates that Miss O wasn't struggling financially at that time.*

*Returning to Miss O's credit file, it's notable that Miss O defaulted on three credit card accounts, in July and December 2022, and in September 2023. The September 2023 default is the most concerning here because it happened only five months before Miss O applied to EL for the loan in question here.*

*EL's application notes confirm that they recognised these defaults and discussed them with Miss O. And EL record Miss O's response as being that she was struggling financially previously, at a time when she was living in her own property (with all the associated costs) but that she had recently moved back in with her parents and had been managing her finances well since that time.*

*Miss O's explanation in this regard appears to be supported not only by Miss O's recent bank statements, but also by the fact that Miss O was repaying the three defaulted balances, such that each outstanding amount at the time of the loan application was less than the amount at the time of default. And this also appears to explain the presence of three debt collection agencies on Miss O's bank statements.*

*As such, the overall picture of Miss O's financial position that appears to present itself here is that Miss O did experience a period of financial difficulty but took steps to address this by moving back in with her parents.*

*Because Miss O had taken steps to improve her financial position, her bank statements and credit file at the time of the loan application don't suggest to me that Miss O was in a poor financial position at that time – such that EL should have reasonably concluded that Miss O wouldn't have been able to afford the loan that she'd applied for. And this is especially the case given that Miss O appears to have wanted the loan from EL to further improve her financial position by returning the hire purchase car that was problematic to her.*

*All of which means that I don't feel that EL did act unfairly by providing this loan to Miss O, and it follows from this that I won't be upholding this complaint. In short, this is because I'm satisfied that EL did conduct a detailed affordability assessment with Miss O, including speaking with Miss O to understand her financial position. And I'm satisfied that it was reasonable for EL to conclude, having conducted that assessment, that Miss O would most likely be able to afford to repay the £2,500 personal loan that she'd applied for.*

*Finally, Miss O is unhappy about the interest rate that EL applied to the loan. But I'm satisfied that EL informed Miss O of the interest rate and repayment terms before she accepted the loan. And if Miss O was unhappy with the interest rate, then it was for her to have not accepted the loan that EL offered to her and which I'm satisfied that it was reasonable for EL to have felt would be affordable for her. Accordingly, I don't uphold this aspect of Miss O's complaint.*

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Neither Miss O nor EL responded to my provisional decision and so raised no objection to it. As such, I see no reason not to issue a final decision here whereby I do not uphold this complaint for the reasons explained in my provisional decision. And I therefore confirm that my final decision is that I do not uphold this complaint accordingly.

### **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 O to accept or reject my decision before 24 December 2024.

Paul Cooper  
**Ombudsman**