The complaint

Mr S complains that Everyday Lending Limited trading as Everyday Loans lent irresponsibly when it approved a loan application he made.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr S applied for a loan of £2,000 with Everyday Loans in January 2022. In his application, Mr S said he was employed with an income of £1,300 a month and that he was living with family and making rent payments of £200. Mr S has told us that he went on to speak with an agent at Everyday Loans and submitted supporting information by way of bank statements as part of the application process.

Everyday Loans looked at Mr S' credit file and bank statements and said that a debt consolidation loan of £3,000 was more suitable than the £2,000 figure he'd originally applied for. Everyday Loans made recommendations that Mr S consolidate various payday loans, buy now pay later (BNPL) accounts and credit cards totalling £2,865 and said it would save him around £880 a month.

A loan of £3,000 was approved by Everyday Loans which also applied £4,180.92 of interest over the 36 month term meaning Mr S had to repay a total of £7,180.92 at £199.47 a month. Funds were sent to some of Mr S' creditors by cheque while the remaining balance was sent to his bank account for disbursement. In the weeks that followed, Everyday Loans reissued some of the cheques it sent to Mr S' creditors in his name and they were paid to his bank account.

Mr S has explained that despite taking out the loan with Everyday Loans he remained in financial difficulties and was struggling to pay his debts, which now included the new loan. Mr S later asked Everyday Loans to consider borrowing some additional funds but it wasn't willing to proceed. Mr S' Everyday Loans loan fell into arrears in 2023. A payment arrangement of £70 was agreed for several months before Mr S increased the payment to £230. In 2024, arrears accrued again and in June 2024 Mr S went on to raise a complaint that Everyday Loans lent irresponsibly.

Everyday Loans issued a final response on 24 June 2024 but didn't uphold Mr S' complaint. Everyday Loans said it had reviewed two months' bank statements, obtained a payslip from Mr S, carried out a job check and looked at his credit file. Everyday Loans said its calculations showed Mr S would've had £210.63 available as disposable income each month after his debts were consolidated and the new loan payment came into effect. Everyday Loans didn't uphold Mr S' complaint and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr S' complaint. They thought Everyday Loans had carried out reasonable and proportionate checks and that its decision to approve the loan application was fair based on what it knew about Mr S. Mr S asked to appeal and said the information obtained as part of his application showed he was already borrowing at an *unsustainable rate and that the new loan only added to his financial difficulties rather than relieving them. Mr S pointed out the affordability calculations used by Everyday Loans didn't reflect his actual situation at the time of the application. Mr S also pointed out he'd been persuaded to increase the loan figure from £2,000 to £3,000 on the advice of Everyday Loans. As Mr S asked to appeal, his complaint has been passed to me to make a decision.*

What I've provisionally 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.

Before agreeing to lend, the rules say Everyday Loans had to complete reasonable and proportionate checks to ensure Mr S could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I understand that when dealing with Mr S' application, Everyday Loans spoke with him and requested supporting evidence. Everyday Loans has provided copies of the bank statements Mr S submitted. And Everyday Loans has provided a copy of the application and supporting data it obtained. I note no copy of the credit file information has been provided to us, so it's not possible to see what Everyday Loans found when it checked. Also, no payslip has been provided and Everyday Loans has confirmed the claim it carried out a job check in the final response is false.

I've paid particular attention to the income and expenditure assessment that Everyday Loans completed and haven't been persuaded it includes realistic figures or details that are reflected in Mr S' bank statements (which it had). I was not able to align the expenditure I found on Mr S' bank statements with the figures Everyday Loans used in its lending assessment.

A good example of the disparity in figures relates to Mr S' expenditure on entertainment, hobbies, restaurants and socialising. I appreciate these can be argued as discretionary spending. But Everyday Loans had Mr S' bank statements so was able to see what he was regularly spending each month. In the income and expenditure assessment, Mr S monthly spend for the above items was recorded as £26.29 a month. But when I looked at Mr S' November 2021 bank statement I found he spend over £900 on entertainment, restaurants and takeaways. In December 2021, the figure was lower at around £300, but still more than 10 times the figure Everyday Loans recorded. Everyday Loans' assessment used a very low figure for transport costs of £8.43 a month. But Mr S' November 2021 bank statement shows he spent over £90 on public transport and taxis which is, again, around 10 times the figure Everyday Loans used in its lending assessment. So whilst I've reviewed the detailed income and expenditure assessment Everyday Loans completed, I wasn't able to see how the *figures used reflected Mr S' actual outgoings each month. And given Everyday Loans had access to Mr S' bank statements, I'm satisfied it needed to base its lending assessment on the details they provided about his circumstances.*

Mr S' bank statements show his major expense each month was his existing credit commitments. Everyday Loans says that by consolidating Mr S' payday loans and some credit card debt it reduced his outgoings by £880 a month. And whilst I agree there may have been a reduction in Mr S' outgoings, I think it's reasonable to note that the new loan took some very short term debts and restructured them over a 36 month term at a high rate of interest. The cost of taking out the new loan with Everyday Loans was reasonably high. Mr S borrowed £3,000 and was charged £4,180.92 in interest. I note that some of the loans only had a few months left to run. For instance, a payday loan with a lender I'll refer to as C was recorded as having an outstanding balance of £152.10 with repayments of £55.47 so would've been cleared within around three months. I'm not persuaded it was reasonable to advise Mr S to consolidate that sort of debt over a much longer term with the addition of a substantial amount of interest. In my view, whilst Mr S was clearly struggling with his finances in January 2022, when his application was made, I haven't been persuaded that the most appropriate option for him was to extend that borrowing over a longer term at a cost of £4,180.92.

Having reviewed the information Everyday Loans used when considering Mr S' loan application I haven't been persuaded it lent responsibly. I haven't been able to match the information found on Mr S' bank statements with the figures Everyday Loans provided in its lending assessment. And I haven't been persuaded that the decision to proceed with the loan was in Mr S' interests overall. I think it would've been more appropriate for Everyday Loans to have referred Mr S back to his creditors or to a debt advice service to see they could provide any assistance on the existing accounts rather than to restructure some debts at a significant cost.

For the reasons I've given above, I intend to uphold Mr S' complaint and direct Everyday Loans to refund all interest, fees and charges applied to the loan from inception.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr S confirmed he was willing to accept.

Everyday Loans responded but didn't accept. Everyday Loans said it had factored a higher figure for Mr S' spending on entertainment, hobbies, restaurants and socialising of £150 a month and that he'd confirmed the higher figures recorded on his bank statements reflected the Christmas period and family that were staying at the time. Everyday Loans also said it had previously attached the wrong income and expenditure assessment when submitting its case file to us and forwarded the correct one that showed it had used a figure of £50 for transport, not £8.43. Everyday Loans also said it had sent the credit file it used within its original file submission and supplied another copy. Finally, Everyday Loans said that by consolidating short term loans over a longer period it had reduced his monthly outgoings which was in his interest.

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'd like to thank both parties to responding to the provisional decision. I've reviewed the information Everyday Loans has supplied, including the credit file and notes. I've also considered the explanation Mr S provided in January 2022 when he applied, concerning his expenditure on entertainment, hobbies, restaurants and socialising (that I'll refer to as "entertainment" going forward) in terms of his regular outgoings. And I've reviewed the correct income and expenditure assessment Everyday Loans has now supplied.

Whilst I can see Everyday Loans has now provided the correct copy of the income and expenditure assessment it used, I still have great difficulty aligning it with the information included on Mr S' bank statements. Everyday Loans says Mr S was making rent payments of £150 a month but in neither of the two months bank statements provided did he make a payment at that level to his parents. Everyday Loans also says Mr S provided a more modest figure for entertainment of £150 a month and explained that the higher figures shown on his bank statements were caused by Christmas and family visiting. But given the disparity on the evidence Everyday Loans obtained in the bank statements and what Mr S said when discussing his application, I'm not persuaded it was reasonable for the lower figure to be used. In my view, if there was an unusually high period of spending for November and December 2021 in Mr S' bank statements, a more reasonable and safer approach would've been to ask him to provide statements more representative of his circumstances so Everyday Loans could ensure it was lending responsibly.

One of the key reasons I upheld Mr S' complaint was that I wasn't persuaded the consolidation loan was in his interests overall. Mr S was borrowing £3,000 to repay debts that already had interest applied to it. By consolidating some of his debts to Everyday Loans, Mr S was charged £4,180.92 in interest – more than the amount he was borrowing. In my view, that meant Everyday Loans needed to be very sure that taking out the loan would benefit Mr S overall. In response to my provisional decision, Everyday Loan said that when it looked at Mr S' circumstances his outgoings were already more than his income and that consolidating some of his debts benefited him. Everyday Loans' response said Mr S' only way to reduce his monthly outgoings was to increase the term they were repaid over. I still haven't been persuaded that was Mr S' only option or that it was a reasonable approach.

Mr S could've approached his existing lenders, explaining his repayments were unaffordable and more than his income, and asked to help. In addition, Mr S could've obtained debt advice from various organisations that provide that service to consumers. I accept that may've led to adverse information being recorded on Mr S' credit file, but I note that the Everyday Loans loan received missed payments as early as May 2022 which will no doubt have impacted it. In my view, it would've been more reasonable to either refer Mr S back to his existing creditors or to obtain independent debt advice rather than consolidate £3,000 of his existing debts at a further cost of £4,180.92.

I've reconsidered all the information provided, including Everyday Loans' response to my provisional decision, but haven't been persuaded to change the conclusions I reached. I remain of the view that Everyday Loans lent irresponsibly when it approved Mr S' loan application. As a result, I'm upholding Mr S' complaint and directing Everyday Loans to settle by refunding all interest, fees and charges applied from inception.

My final decision

My decision is that I uphold Mr S' complaint and direct Everyday Lending Limited trading as Everyday Loans to settle as follows:

- Remove all interest, fees and charges on the loan and treat all the payments Mr S made as payments towards the capital.
- If reworking Mr S' loan account results in him having effectively made payments above the original capital borrowed, then Everyday Loans should refund this money to Mr S plus 8% simple interest applied to the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr S' loan account means there remains an outstanding capital balance Everyday Loans must work with Mr S to agree an affordable repayment plan.
- Remove any adverse information recorded on Mr S' credit file in relation to the loan once the capital balance is repaid.

*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. Everyday Loans should give Mr S a certificate showing how much tax it's deducted if he asks for one. If it intends to apply the refund to reduce an outstanding balance it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 February 2025.

Marco Manente
Ombudsman