

The complaint

Mr H complains that Everyday Lending Limited trading as Everyday Loans (Everyday) acted irresponsibly in agreeing to lend to him.

What happened

In February 2024 Mr H entered into a Fixed Sum Loan Agreement with Everyday for £6,500. He said the lending was for debt consolidation. The loan was to be repaid over 36 months by monthly instalments of £336.17. With interest and charges applied the total amount repayable was £12,102.12. Mr H said he struggled with the repayments and if Everyday had properly checked they would have seen he was struggling financially because of gambling activity. He complained to Everyday.

Everyday said Mr H had sought the loan to consolidate his debts. They said they'd checked two months bank statements, a payslip, his employment, his credit history with a credit reference agency (CRA) and used statistical data to determine his cost-of-living outgoings. Added to this they said they confirmed directly with Mr H the details of his income and expenditure. Everyday said they didn't see any evidence of gambling activity on Mr H's bank statements. And based on the evidence they gathered they considered the loan was affordable for Mr H so they agreed to lend to him.

Mr H wasn't happy and referred his complaint to us.

Our investigator said Everyday's checks were proportionate and reasonable. And that their decision to lend to Mr H was fair.

Mr H didn't agree he said if Everyday had done further checks they would have seen his gambling activity and that it was irresponsible to lend to him. He asked for an ombudsman to decide.

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 know my decision will disappoint Mr H but having done so I'm not upholding his complaint. I'll explain why.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider to decide what's fair and reasonable in all the circumstances of the complaint. These are:

1. Did Everyday complete reasonable and proportionate checks to satisfy themselves that Mr H would be able to repay the credit in a sustainable way?

- a. if so, did Everyday make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?

2. Did Everyday act unfairly or unreasonably in some other way?

Regulations in place at the time Everyday lent to Mr H required them to carry out a reasonable assessment of whether he could afford to repay the loan in a sustainable manner. This is sometimes referred to as an “affordability assessment” or “affordability check”.

The affordability checks should be “borrower-focused”, meaning Everyday need to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mr H. In other words, it wasn’t enough for Everyday to think only about the likelihood that they would get their money back without considering the impact of repayment on Mr H himself.

There’s no set list for what reasonable and proportionate checks are. But I’d expect lenders to consider the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

So, I’ve considered whether Everyday in lending to Mr H had been thorough in the checks they made.

Everyday has shown that they took reasonable steps to verify Mr H’s income. Mr H said he earned around £3350 a month. After considering Mr H’s bank statements they used his lowest monthly salary of £3,253.04. Everyday also took reasonable steps to determine Mr H’s non-discretionary spending. They carried out a credit check, obtained bank statements from Mr H. And used statistical data from the Office for National Statistics (ONS) which they’re able to do to determine his cost-of-living expenses. So, Everyday was aware that Mr H had some existing debts. But that he was going to consolidate some of his existing debts too.

Everyday after carrying out these checks also spoke directly with Mr H going through in detail his outgoings to get a clear understanding of his financial situation. I know Mr H has said they should have done more to find out about certain transactions he was making.

While I accept that Mr H’s actual circumstances may not have been fully reflected either in the information he provided, or the information Everyday obtained. As Mr H has said he was spending far more on certain transactions and if Everyday had checked they would have seen this. I’ve listened to the call where Everyday took Mr H through his income and expenditure in detail. And Everyday did specifically ask about the transactions which Mr H now says are gambling transactions. They asked Mr H about transactions they saw on an online platform (not a gambling platform) which were for around £2,000 a month. Mr H in explanation said this was for the buying and selling of shoes, to which Everyday added that they could also see payments coming through the same online platform for £2,052, £1,475 and £850 which Mr H confirmed were a result of selling the shoes. I know Mr H said this wasn’t the case, but the key here is that it’s only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don’t think that given what Mr H said in this call that it would have been necessary for Everyday to have checked any further. They’d verified his income; they’d checked his credit commitments and they’d go through all of his non-discretionary outgoings as well as considering discretionary spending which included holidays and entertainment.

Everyday understood the loan was to be used for consolidation of borrowing, and this would suggest Mr H's credit commitments would be reduced. From their assessment of Mr H's income and expenditure it was clear that without consolidating his debt Mr H didn't have any disposable income left at the end of each month. But by agreeing to lend to Mr H after factoring in the debts that would be consolidated including Mr H's overdraft which he was consistently using, and the new lending Everyday assessed he'd have a disposable income of around £175. Given Mr H had a partner and no dependents I think this would have been seen by Everyday that the lending was being borrower focussed and that Mr H would be able to sustain his repayments.

I know Mr H will be disappointed in my decision, but I'm satisfied Everyday carried out reasonable and proportionate checks. And the information, and evidence, that Mr H gave to Everyday suggested that he could sustainably afford the loan repayments. I think Everyday was entitled to rely on that information and conclude that they should lend to Mr H. So, I don't think the loan was lent irresponsibly.

I've also considered whether Everyday acted unfairly or unreasonably in some other way given what Mr H has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think Everyday lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 March 2025.

Anne Scarr
Ombudsman