

The complaint

Mrs H has complained about a loan Everyday Lending Limited trading as Everyday Loans provided to her. She says the loan was unaffordable and therefore shouldn't have been given to her.

What happened

Mrs H enquired about a loan of £1,000 with Everyday Loans. She said she only wanted it for a month to pay for emergency dental treatment. Everyday Loans said its minimum term was 18 months, and an estimated cost for that was around £92 a month. After going through some information with Mrs H, Everyday Loans said that a loan of £1,000 didn't meet its budget check, but it could instead look at a loan of up to £8,000 if Mrs H consolidated some of her existing debts at the same time.

Everyday Loans told Mrs H to consolidate two credit cards totalling £3,882 and release £1,118 to her, which led to Mrs H taking out a £5,000 fixed sum loan with Everyday Loans in February 2023. The interest rate was fixed at 62.9% per annum, and the total repayable, including the interest, was £13,665.60. She had to make 48 monthly repayments of £284.70. Cheques were sent to repay the two credit card debts, and the remaining £1,118 was released to Mrs H.

In July 2024, Mrs H complained to Everyday Loans to say the loan should never have been provided to her. Everyday Loans didn't think it had acted unfairly when lending to Mrs H.

Our investigator thought Everyday Loans had carried out reasonable and proportionate affordability checks but she said, having carried out those checks, Everyday Lending shouldn't have lent to Mrs H due to her financial circumstances. Everyday Loans didn't agree, so the complaint was passed to me to decide.

What I've decided – and why

I issued a provisional decision in February 2025, the findings of which said:

'The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

When dealing with Mrs H's application, Everyday Loans spoke with her and requested supporting evidence. Everyday Loans has provided copies of the information it received

showing two months' of bank transactions, including Mrs H's income and expenditure. It has also provided us with a copy of the credit file information.

The credit file information showed Mrs H had a loan with a balance of around £3,450 that she'd taken out in September 2022, a current account with a £2,500 overdraft limit, a mail order account with a balance of around £365, and two credit cards with balances of around £2,005 and £1,875. It also showed she had a defaulted credit card account with a balance of around £2,820 outstanding, with the default being applied in July 2022, and an outstanding CCJ for £1,090 dating from 2018.

I've paid particular attention to the income and expenditure assessment that Everyday Loans completed and I am not persuaded it includes realistic figures or details that are reflected in Mrs H's bank transaction history (which it had). I was not able to align the expenditure I found on Mrs H's bank statements with the figures Everyday Loans used in its lending assessment. For example, Everyday Loans used a figure of £25.75 a month for the repayment of Mrs H's overdraft, but the bank transactions showed she was paying around £70 a month just in overdraft interest fees, so that's without making any additional payment to try to reduce the debt.

I also have some concerns about the leading nature of some of the questions put to Mrs H over the phone, one example being "There are a few direct debit returns and is that just where you're paid in the middle of the month or what's the kind of reason for that as they are very damaging?" Mrs H agreed with Everyday Loans that the direct debits were returned because they came out before she'd been paid. That might be a reasonable answer with a one-off payment collected right before payday, but in the two months in question Mrs H had five returned direct debit payments; those being on 12 December, two on 22 December, 9 January, and 19 January. Mrs H said she was paid at the end of the month, with the bank transactions showing credits on 28 December and 27 January, so one returned direct debit was less than two weeks after Mrs H had been paid.

Another example is when discussing the monthly spending on clothes Mrs H was told her bank statements showed she spent around £91 a month, whereas the ONS data gives a suggested figure of around £20 a month, with Everyday Loans suggesting the higher spend might have been due to buying Christmas presents, which Mrs H agreed with. But that isn't supported by the bank transactions showing much more than that was spent after Christmas, so couldn't be put down to buying Christmas presents.

I appreciate some things can be argued as discretionary spending. But Everyday Loans had Mrs H's bank transactions so was able to see what she was regularly spending each month. The information it held also gave a helpful summary, and that showed that in both December and January Mrs H received less money into her account than she paid out, with the figures for January (so there can be no argument this was higher Christmas spending) being credits totalling around £4,260 and debits totalling around £4,285. And £500 of that credit was a payment in from a salary finance company, so was an advance on Mrs H's future salary rather than being part of her income paid that month. Had Mrs H not taken that advance on her salary she would have had £3,760 coming into the account and £4,285 going out.

In one of the calls Mrs H also mentioned, on more than one occasion, having a horse, saying that one payment she made was for winter keep for the horse. Despite mention of having a horse no further questions were asked about the monthly costs for that – livery, hard feed, farrier, insurance, hay, dentist, tack and other items, to name just some – and that certainly wouldn't be covered by the £33.90 a month allocated for pets (with vet's bills being separate).

When questioned about the reasons for taking out the loan in September 2022 Mrs H couldn't remember. It was suggested it was for car repairs, as was one of the credit card debts (with the other said to be for Christmas spending). Despite that meaning over £5,000 had been spent on car repairs fairly recently, the budget planner only allocated £18.80 a month for 'repairs, servicing, MOT, breakdown cover' going forward, a sum that doesn't seem representative of the bills it had been said Mrs H had incurred. I'm aware that previous bills don't mean the same costs will be incurred in the future and those could have been a costly one off, but equally a car that needs that level of work could be indicative of a larger problem. But it doesn't seem that was really explored. £18.80 a month only equates to £225 a year, a sum that needs to cover an annual MOT and service, as well as any repairs, new tyres etc that may be needed for a vehicle that has recently needed costly work.

Whilst I've reviewed the detailed income and expenditure assessment Everyday Loans completed, I wasn't able to see how the figures used reflected Mrs H's actual outgoings each month. And given Everyday Loans had access to Mrs H's bank transaction history as well as speaking to her on the phone, I'm satisfied it needed to base its lending assessment on the details she provided about her circumstances.

Our Investigator raised concerns about Mrs H's constant use of her overdraft, which Everyday Loans refuted saying that some people see overdrafts as a form of permanent revolving credit, and whilst permanently in her overdraft there was no evidence to say she wasn't affording her day-to-day expenses. But Everyday Loans provided a guide to our service of how it considers applications, and that said specific attention would be paid to 'Extended use of overdraft'. Mrs H's account had an overdraft limit of £2,500 and she'd reached that by 12 December 2022 (leading to a direct debit being unpaid). When her salary of £2,744 went in on 28 December the account only went back to under £300 in credit, and the £2,500 overdraft limit was again reached by 9 January 2023 (again leading to a direct debit being unpaid). By 19 January Mrs H needed to take a £500 salary advance.

Mrs H only wanted to borrow £1,000 and she was given an indicative cost of around £92 a month for that. She was told that didn't pass the budget check, but she could borrow more to pay off some other debts to help. The debts Mrs H paid off were two credit cards totalling £3,882 and for which Everyday Loans calculated the total monthly payment was around £116 a month.

If Mrs H had been able to proceed as she initially requested – that is, not repay any existing debts and just take a new £1,000 loan – then it seems her payments for those two debts plus the new loan would have been around £208 a month, which it seems Everyday Loans deemed unaffordable. Instead, it arranged a £5,000 loan to replace them and give Mrs H the £1,000, with a monthly payment of around £285. That is around £77 a month *more expensive* than something it said was "...not budgeting". I can't see that Everyday Lending asked Mrs H what the interest rate on her credit cards was, but it is likely that they were lower than the 62.9% Mrs H was charged on this loan.

Having reviewed the information Everyday Loans used when considering Mrs H's loan application I haven't been persuaded it lent responsibly. I haven't been able to match the information found on Mrs H's bank transaction history and disclosed in the calls 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 Mrs H's best interests overall and I don't think the lending was affordable or sustainable.

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 Mrs H in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.'

Mrs H said she had nothing further to add and Everyday Loans didn't respond, despite a reminder of the deadline.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, and having considered the full file afresh, I see no reason to depart from the findings I reached in my provisional decision.

Putting things right

I direct Everyday Lending Limited trading as Everyday Loans to settle this complaint as follows:

- Remove all interest, fees and charges on the loan and treat all the payments Mrs H made as payments towards the capital.
- If reworking Mrs H's' loan account results in her having effectively made payments above the original capital borrowed, then Everyday Loans should refund this money to Mrs H plus 8% simple interest applied to the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mrs H's' loan account means there remains an outstanding capital balance Everyday Loans must work with Mrs H to agree an affordable repayment plan.
- Remove any adverse information recorded on Mrs H;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 Mrs H a certificate showing how much tax it's deducted if she asks for one.

My final decision

I uphold this complaint and direct Everyday Lending Limited trading as Everyday Loans to put things right in the way I've set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 8 April 2025.

Julia Meadows
Ombudsman