DRN-5534265

The complaint

Mr C complains that Everyday Lending Limited trading as Everyday Loans was irresponsible in its lending to him.

What happened

Mr C was provided with a loan for £7,500 by Everyday Loans in August 2022. The loan term was 60 months and Mr C was required to make monthly repayments of £294.71. Mr C said that he asked for a smaller loan, but his request was ignored, and he felt forced to take this loan. He explained he wanted the loan to pay off other debts, but he had failed to do this when he was provided with a credit card and that he had defaulted on that account which would have been seen on his credit record. He noted that after paying for his bills and the loan repayments he was only left with around £149 a month. Mr C said the loan was unaffordable and irresponsibly lent.

Everyday Loans issued a final response to Mr C's complaint dated 6 December 2024. It said that Mr C said the purpose of the loan was to repay his credit card and pay for home improvements and an educational course. It explained that creditworthiness and affordability assessments were completed using the information Mr C provided along with information from the credit reference agencies and Mr C's bank statements. It said that based on its checks Mr C had a monthly disposable income after the repayments of £149.36. It said that its checks supported the loan being affordable.

Mr C referred his complaint to this service.

Our investigator was satisfied that the checks carried out before the loan was provided were reasonable and proportionate. Based on these they found the loan to be affordable for Mr C and didn't uphold this complaint.

Mr C didn't agree with our investigator's conclusions. He reiterated that he didn't believe disposable income of £149 a month was sufficient, especially given the ongoing increases in living costs. He said the financial strain of the loan was affecting his mental health. Mr C thought that the size of the loan was disproportionate to his income and should have raised concerns. He reiterated that he had asked for a smaller loan, but this hadn't been agreed.

Our investigator responded to Mr C's comments but as these didn't change their view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

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.

Mr C was provided with a £7,500 loan. As part of the application process, information was gathered about his income and residential status, a credit check was carried out and Mr C's open banking data was accessed. Mr C's income was confirmed using his banking data. Mr C's credit report showed some previous defaults, and these were discussed with him. Mr C's expenses and residential status was discussed along with the purpose of the loan and third-party data was used to check against his expenses.

So, while I can see there was adverse information on Mr C's credit file, I think the checks undertaken by Everyday Loans were reasonable and proportionate and gave Everyday Loans a clear understanding of Mr C's financial circumstances.

While I think the checks were reasonable, this doesn't necessarily mean that I think the loan should have been provided. To assess this I have looked through the information Everyday Loans received to see if this should have raised concerns that meant the loan shouldn't have been given.

Mr C's credit file recorded previous defaults. The most recent was around a year before his Everyday Loans application. The defaults were discussed with Mr C and I find it reasonable that Everyday Loans will have relied on the information Mr C gave. Mr C had managed his credit without issue for the previous 12 months and had cleared most of the defaulted balances, therefore, while I think the defaults needed to be taken into account, I do not think these alone meant the loan shouldn't have been provided.

Mr C's banking data was used to confirm his income. The banking data included two months of salary and the lowest of these was used in the assessment. Mr C explained that he was living with family and intended to remain living with family for the coming years. He said his accommodation costs were £200. Mr C's credit report showed his only outstanding active balance was on his credit card, which he had said he would repay with this loan. He was also making repayments towards the balances on his defaulted accounts. Everyday Loans used third party data to estimate Mr C's living expenses which gave a higher expense figure than was shown in his banking data.

Considering the amounts included in the affordability assessment, I find that Everyday Loans took a conservative approach to calculating disposable income and had an average income figure been used and Mr C's actual essential expenses included this would have resulted in a higher figure. So, while I agree with Mr C that a monthly disposable income of £149 is low, noting he was living with family and had limited costs and acknowledging the conservative approach taken to get this figure, I do not find I can say that Everyday Loans' checks suggested the loan to be unaffordable for Mr C.

Mr C has also said that he asked for a lower loan amount and this was refused. I have looked through the notes and I can see that a higher loan amount was initially requested and then the £7,500 figure agreed. I have no other evidence to show that Mr C asked for a lower amount. However, even f this was the case, as Mr C was provided with all the details of the loan, including the repayment amounts and total costs, and he discussed the application with Everyday Loans, I think it reasonable that had he not wished to borrow this amount, he wouldn't have done so. Had Mr C decided after entering into the loan that he had borrowed too much, he could have exercised his right to withdraw.

I’ve also considered whether Everyday Loans acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether its relationship with Mr C might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I’ve already given, I don’t think Everyday Loans lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I haven’t seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

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 Mr C to accept or reject my decision before 23 September 2025.

Jane Archer
Ombudsman