

The complaint

Miss A complains that Everyday Lending Limited trading as Evlo (Everyday) shouldn't have lent to her as she couldn't sustain the repayments.

What happened

In April 2021 Miss A entered into a Fixed Sum loan agreement with Everyday for £1,000. Miss A said she needed the loan to cover funeral costs and to consolidate her debts. After interest (249.5% APR) and charges were applied Miss A was required to repay £2,218.68 over 18 months at £123.86 a month. Miss A said she wasn't employed and had Everyday properly checked they would have seen the lending wasn't affordable which caused her to fall behind with her repayments. Miss A complained to Everyday.

Everyday said their checks had been reasonable and proportionate, and after consolidating her debts Miss A had sufficient disposable income to sustain her repayments, they said their lending decision had been fair.

Miss A wasn't happy with Everyday's response and referred her complaint to us.

Our investigator found Everyday's checks were reasonable and proportionate but said their lending decision wasn't fair as the checks showed Miss A didn't have sufficient disposable income to sustain the repayments. And asked Everyday to put things right.

Everyday disagreed and 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.

Having done so I'm upholding this complaint. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Everyday offered the account they needed to complete reasonable and proportionate checks to be satisfied Miss A would be able to repay the debt in a sustainable way.

This means Everyday in lending to Miss A are required to carry out a reasonable assessment of whether she 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" – so Everyday needed to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Miss A. This means it wasn't enough for them to only think about the likelihood that they would get their money back without considering the impact of repayment on Miss A herself.

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. But there are factors which could influence how detailed a proportionate check should be for a given loan application an example being the consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income).

In deciding what's fair and reasonable in all circumstances of the complaint, there are two overarching questions I need to consider These are:

1. Did Everyday complete reasonable and proportionate checks to satisfy themselves that Miss A 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 Miss A could sustainably repay the borrowing?

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

CONC says a lender must take reasonable steps to estimate a consumer's income and non-discretionary spending. It allows for the use of statistical data to determine a consumer's living costs. So, I've considered whether Everyday in lending to Miss A had been thorough in the checks they made. And whether they've taken all these factors into account in deciding to lend to her.

Everyday said they used application, CRA, and statistical data. The statistical data was provided by the Office for National Statistics (ONS). They also asked Miss A to provide her bank statements for the two months prior to the loan. So, I'm satisfied given the type and product being lent that Everyday's checks were proportionate and reasonable as I think they've taken reasonable steps to estimate Miss A's income and non-discretionary expenditure. I've gone on to consider whether based on these checks Everyday's lending decision was fair, and I don't think it was.

Miss A's application showed her as living with a partner in rented accommodation, with two dependents. While her application said she was employed she described her employment as "Homemaker". I can see Everyday, in their assessment used Miss A's declared monthly benefit income of £951.58.

While Miss A's rent was mostly paid for with another benefit, she'd a residual rental payment of £22 each month, as Miss A was living with a partner Everyday estimated she would share any household costs which I think is reasonable, so Everyday assessed Miss A's rent at £11. Using ONS data Everyday estimated Miss A's share of the living costs to be £437.89 and her credit commitments from the CRA data to be £412.36. This would leave Miss A with a disposable income of £90.33. But Miss A said she was using the loan to consolidate other credit commitments. Everyday assessed this would free up an additional monthly amount of £160.10. Which meant after factoring in the new lending of £123.86 Miss A should have had a disposable income of £127.17 for discretionary and unexpected costs. Based on this assessment Everyday considered the lending was affordable.

From the bank statements Miss A provided to Everyday I can see she'd direct debits returned unpaid. And she was persistently using an overdraft from another of her bank accounts where she'd an overdraft limit of £1,600 of which she was using around £1,598. This I think shows Miss A was financially vulnerable as she was having to constantly borrow money to manage her non-discretionary outgoings but despite this she wasn't always meeting her credit commitments. It's also evident from Miss A's credit history that she'd had

struggles managing her finances as she'd several defaulted accounts registered.

Our approach is that any disposable income left after a consumer's income and non-discretionary expenditure has been considered should be sufficient to cover the new lending amount and to allow for discretionary and unexpected costs. For a couple with two dependents, I wouldn't consider £127.17 as being sufficient to sustain the repayments. And I think this is supported by how quickly Miss A struggled to meet her commitment as her direct debit for her loan repayment was returned in June 2021.

I also think Everyday's assessment was flawed. I say this as for the debt consolidation they'd used £160.10 as a monthly figure but this amount was the total outstanding balance on the two accounts Miss A was seeking to consolidate. So, the loan was to repay a total amount of £160.10, not a monthly commitment of £160.10. With the remainder of the loan being used to cover funeral costs that Miss A had incurred.

I can see this would be balanced by the removal of £160.10 from each part of Everyday's assessment. Using Everyday's other figures along with their own calculation of Miss A's credit commitments £252.26 (£412.36 less £160.10) Miss A would still have had, after factoring in the new lending around £127 a month in disposable income which as I've outlined above, I think is insufficient in her circumstances to sustain her repayments. And while some of the lending settled two small accounts, Everyday by lending to Miss A had increased her monthly financial burden when I think it was evident she was already struggling financially.

Taking all the above into account, while I'm satisfied Everyday's checks were reasonable and proportionate, I don't think they made a fair lending decision based on the information they obtained from these checks. I don't think Miss A had sufficient disposable income to sustain her repayments. And Miss A was showing signs of financial vulnerability as she was persistently using her overdraft to its fullest and she wasn't maintaining her non-discretionary outgoings as she was having direct debits returned.

I've also considered whether Everyday acted unfairly or unreasonably in some other way given what Miss A has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Miss A 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.

Putting things right

Putting things right when it comes to complaints about irresponsible lending isn't straightforward as Miss A has had the loan in question and she's used the funds. In these circumstances, I think it's fair she should repay the principal amount, but I don't think it's fair for her to pay any interest and charges that have been applied.

My final decision

I uphold this complaint and ask Everyday Lending Limited trading as Evlo to:

- remove any interest and charges applied to Miss A's account from when it was opened;
- treat any payments that Miss A has made as a reduction of the principal amount, if this results in Miss A having paid more than what she was initially lent, then any extra should be treated as an overpayment and refunded to Miss A plus *8% simple interest on this amount from date of payment to date of settlement;

- remove any adverse information on Miss A's credit file in relation to the loan; or
- if an outstanding balance remains on Miss A's account after all adjustments have been made, Everyday Lending Limited needs to come to a suitable repayment plan with Miss A to pay off the remaining amount; and
- once any outstanding balance has been settled remove any adverse information on Miss A's credit file in relation to the loan.

*His Majesty's Revenue & Customs requires Everyday to deduct tax from any award of interest. It must give Miss A a certificate showing how much tax has been taken off if she asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 12 November 2025.

Anne Scarr
Ombudsman