

The complaint

Mr A complains Everyday Lending Limited trading as Everyday Loans (Everyday) failed to conduct thorough enough financial checks before it approved a loan for him.

What happened

Mr A says Everyday approved a loan for him in January 2024 for £6,000 over five years. Mr A says at that time he was already heavily indebted and his employment was on a short term contract which would have been clear from the payslip he provided Everyday. Mr A says if Everyday had carried out more thorough financial checks it would have seen the loan was unaffordable. Mr A wants Everyday to refund all interest charged to the loan account and remove any adverse entries on his credit file.

Everyday says before the loan was approved it carried out an assessment into Mr A's creditworthiness using a payslip, bank statements, credit searches using credit reference agencies (CRA's) and other external sources to verify expenditure. Everyday says this information is used alongside a comprehensive income and expenditure assessment completed during an in house interview. Everyday says there was no indication at the interview that Mr A's employment was on a temporary basis.

Everyday says the loan was approved for the purpose of a wedding and consolidation of some of Mr A's existing debt and this was used as part of the affordability modelling it undertook. Everyday says the checks it carried out were reasonable and proportionate.

Mr A wasn't happy with Everyday's response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint. The investigator felt Mr A's external indebtedness was higher than Everyday had allowed for and this should have been considered by Everyday.

That said, the investigator felt while Everyday had carried out comprehensive financial checks before it approved the loan, from its own income and expenditure assessment after meeting the new loan repayments, there was insufficient disposable income available to Mr A to meet any future unforeseen expenditure, over the next five years.

The investigator instructed Everyday to rework the loan account removing all interest fees and charges and any remaining balance should then be placed onto an affordable repayment plan. The investigator says once Mr A has cleared the balance any adverse information relating to this loan should be removed from his credit file.

Everyday didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I will also be upholding this complaint and I will explain how I have come to my decision.

Mr A's complaint centres around his view that Everyday failed to carry out thorough enough financial checks before it approved the £6,000 loan in January 2024, and if it had it would have seen the loan was unaffordable and his employment wasn't permanent.

Everyday says it carried out comprehensive financial checks before approving the loan using industry recognised external data sources, and its affordability modelling was established following an interview with Mr A. Everyday says it completed an income and expenditure assessment using this data alongside bank statements and a payslip provided by Mr A at that time.

Everyday says as part of its affordability modelling it used a higher sum to calculate Mr A's living expenses rather than relying on the information declared in Mr A's application. Everyday pointed out that the loan was to be used in part for wedding costs and also debt consolidation and this was taken into account when calculating affordability. Everyday says it was made aware that Mr A shared his housing costs with family members, so his actual housing costs would have been lower than calculated.

While I understand the points Everyday makes here, I'm not fully persuaded by its argument and I will go on to explain why.

The first thing to say here is there are no set list of checks lenders like Everyday must carry out before approving credit facilities but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Everyday what those checks must consist of, or from what sources those checks should come from.

What I would say here is Everyday did carry out reasonable and proportionate checks before it approved the loan to Mr A, as I would expect for a loan of this amount over five years. Despite the fact Everyday carried out a comprehensive financial affordability assessment here, what is important is having done so it ensures that any borrowing is affordable and sustainable and I can't say it did that here.

I say this because having completed a comprehensive income and expenditure profile with Mr A using bank statements and payslip to help the process, Everyday concluded from its own calculations, even after allowing for part of the loan to be used for consolidation purposes and the new loan commitment, Mr A was only left with a net disposable income of around £67 per month.

It's fair to say here that given the loan commitment was over five years, that small amount didn't really allow any headroom for any future unexpected expenses over that period. I understand Everyday felt Mr A's housing costs were potentially shared with family members, but I can't see any evidence to support that, and even so Everyday had concluded from its own expenditure assessment, Mr A was likely to pay the full housing costs.

So with that in mind I am satisfied the loan was unaffordable and unsustainable based on the financial assessment Everyday had carried out.

I've also considered whether Everyday acted unfairly or unreasonably in some other way given what Mr A has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, because I am upholding Mr A's complaint for the reasons I have explained, I am satisfied that I don't need to make a finding on this.

While Everyday will be disappointed with my decision, I am satisfied this is a fair outcome here.

Putting things right

I instruct Everyday Lending Limited trading as Everyday Loans to rework the account removing all interest fees and charges that have been applied.

If the rework results in a credit balance, this should be refunded to Mr A along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Everyday Lending Limited trading as Everyday Loans should also remove all adverse information regarding this account from Mr A's credit file.

Or, if after the rework there is still an outstanding balance, Everyday Lending Limited trading as Everyday Loans should arrange an affordable payment plan with Mr A for the remaining amount taking back the debt if sold to a third party.

Once Mr A has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Everyday Lending Limited trading as Everyday Loans to deduct tax from any award of interest. It must give Mr A a certificate showing how much tax has been taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 December 2025.

Barry White
Ombudsman