

## **complaint**

Mrs N complains that two loans she took out with Everyday Loans Limited were unaffordable.

## **background**

In June 2011 Mrs N took out a loan with Everyday Loans for £3000 to consolidate other debts. In August 2012 she took out a further loan for £6000 which consolidated her previous loan and other debts.

Mrs N fell into arrears, and in 2015 Everyday Loans wrote off £6735.24. This was the outstanding balance of the loan.

Mrs N says that due to her situation at the time, Everyday Loans shouldn't have provided her with this lending. In particular she was in poor health, suffering from depression, and had a large amount of other debt. She says that if Everyday Loans had done sufficient checks it would've known these loans were unaffordable.

Everyday Loans says that its records show the loans were used to consolidate other debt. It thinks its financial assessments showed the repayments were affordable, and provided a copy of these to Mrs N.

The investigator didn't think the loans were unaffordable based on the information available to Everyday Loans. He added that Mrs N was likely in a better position as a result of them because they were used to consolidate existing debt.

Mrs N didn't agree, saying she was regularly borrowing from a lot of lenders to make ends meet and that Everyday loans didn't make sufficient checks. So, the matter's been passed to me to decide.

## **my findings**

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

I'm sorry to hear about the difficulties Mrs N's had, and can see why in hindsight she feels businesses should've done more to prevent her from getting into so much debt. However I'm only considering whether the two loans she took out with Everyday Loans were affordable based on the information it had at the time.

Everyday Loans undertook financial assessments for both loans in order to check whether they were affordable. For these, Mrs N provided information about her income and expenditure at the time.

### *The initial loan of £3000*

Mrs N's income and expenditure form showed that she had a total income of £1,531.85 and her expenditure (including repayments for this loan) would be £1,349.19. This meant that she would still have had a disposable income of £182.66 each month.

The second loan for £6000

Mrs N's income and expenditure for this loan also shows that she would've been left with disposable income. It shows her total income had reduced to £1,328.92 but that her total outgoings (including repayments for this loan) were £1,209.49 - leaving Mrs N with £119.43.

So, on the face of it, I don't think it was unreasonable for Everyday Loans to have concluded that these loans were affordable

Mrs N's wider circumstances

I take Mrs N's points seriously, and agree that the fact she already had several different forms of debt and at least one account in default would've indicated that she may've been struggling financially.

However, I think it's important here that both loans were used to consolidate other debt. Only a small amount of these loans actually created "new debt". The initial loan for £3000 was used to consolidate payday loans, and the majority of the £6,000 (£5,662.70) was to consolidate the previous loan and other debts. I also note that this second loan had a lower interest rate than her previous one.

Unfortunately we don't know much about the debts these loans consolidated. But given that the make-up was payday loans, credit cards and other loans – on balance it's likely that consolidating these put her in a better position. She would've had simpler repayments, which may well have also been for a lower monthly amount in comparison.

I also note that Everyday Loans has written-off a substantial amount of this debt (£6,735.24). If I agreed that it was irresponsible for Everyday Loans to have provided the "new debt", any redress would come to significantly less than this.

I appreciate Mrs N says she was vulnerable at the time, and I can see that the majority of her income came from incapacity benefit and disability living allowance. It wouldn't have been fair for Everyday Loans to have held this against Mrs N. So I don't think this changes whether the loan was affordable.

So, for the reasons explained, I don't think Everyday Loans needs to do anything further in the circumstances.

**my final decision**

My final decision is that Everyday Loans Limited doesn't need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 1 September 2017.

Stephanie Mitchell  
**ombudsman**