DRN-3450930

## The complaint

Miss K, through her representative, complains that Everyday Lending Limited, trading as Everyday loans, lent to her irresponsibly.

## What happened

Everyday Lending approved Miss K for one loan (later she took a loan jointly with a family member but that is not being considered here). It was for £1,500 (total to pay £3,232.08) repayable over 24 months and the monthly repayment was £134.67. It was approved for her in October 2020.

Everyday Lending responded to her complaint sent to it on 2 June 2021 with its final response letter in July 2021. It did not uphold her complaint and this was referred to the Financial Ombudsman Service.

One of our adjudicators looked at the complaint and thought that Everyday Lending should put things right for Miss K. Everyday Lending did not agree and the unresolved complaint was passed to me 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Everyday Lending completed reasonable and proportionate checks to satisfy itself that Miss K would be able to repay in a sustainable way? And, if not, would those checks have shown that Miss K would've been able to do so?

If I determine that Everyday Lending did not act fairly and reasonably in its dealings with Miss K and that she has lost out as a result, I will go on to consider what is fair compensation. The rules and regulations in place required Everyday Lending to carry out a reasonable and proportionate assessment of Miss K's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Everyday Lending had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Miss K. In practice this meant that it had to ensure that making the payments to the loan wouldn't cause Miss K undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Everyday Lending to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Miss K.

Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a 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);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Miss K's complaint.

I have seen that Everyday Lending obtained information from Miss K, including details of her Universal Credit payments, and that her rent (most of it) was paid by her Universal Credit and sent directly to her landlord. Everyday Lending obtained details of her other credit commitments and it reviewed some bank statements for the period leading up to the October 2020 loan approval. So, I must conclude that Everyday Lending did checks which were proportionate to the loan amount being applied for and that Miss K was a new customer to it.

However, reading all that Everyday had at the time when making the lending decision, I think it has either missed some important information or it has not factored it in correctly.

Miss K was already on a low income, and her main source of income was Universal Credit which was about £804 each month. The job Miss K told Everyday Lending about has been described to us by her representative as a casual job and sounds like it was not a formal employment arrangement. So, anything from that ought to have been discounted as it did not sound to be permanent or a reliable source.

Miss K's bank statements sent to Everyday Lending, copies of which have been provided for me, show that her daughter was giving her money – about a £100 quite regularly. These statements also show Miss K had obtained money from a 'hardship fund' on 9 September 2020. It looks like an Everyday representative had written that phrase onto the statement as an explanation. So, from that annotation I gather the Everyday representative likely discussed this with Miss K.

Reviewing the Universal Credit documentation, it's clear to read that Miss K had and already received an 'advance' from the Universal Credit payments which she was now having to pay back – it was being deducted.

And a crisis fund was being paid back by her and deducted from her Universal Credit too. These deductions had already been factored into the figures she was receiving from the Universal Credit, and the figures Everyday Lending was using in its 'income and expenditure' calculations. And my point is not that the figures would alter, but these details showed that Everyday Lending had seen evidence of where Miss K had needed additional financial assistance – the hardship fund, crisis loan and the advance Universal Credit funds, all of which needed to be repaid. It demonstrates to me a history of being very short of money.

Added to these points, Miss K's bank statements seen by Everyday Lending at the time, show that just before she applied for this loan she had received a home-credit loan of £400 which credited her bank account 7 September 2020. Everyday Lending had noted that this was a £50 a month repayment but I have noted from her bank statements this was £50 every two weeks – so more like a £100 a month.

Miss K had several 'buy now pay later accounts' and even if she had used the Everyday Lending capital to pay those down, Miss K would have been left with a relatively tight budget – meaning very little left over. Everyday Lending had calculated that monthly 'left over' figure to have been around £150 but factoring the £50 a fortnight payable to the home credit company into its 'income and expenditure' analysis correctly Miss K would have had about £100 a month as 'left over' money. I don't think that this was a broad enough margin when Miss K had young children and was a single mother.

So – considering the likely impact of a long term, high cost loan then I think Everyday Lending ought to have realised that this was not the right course of action for it to lend to Miss K in her circumstances in October 2020.

I uphold Miss K's complaint.

**Putting things right**

Everyday Lending shouldn't have given Miss K this loan. I know that this loan was paid off in April 2021 when Miss K took the second joint loan with another family member. To settle Miss K's complaint, I'm recommending Everyday Lending does the following.

A) Add together the total of the repayments made by Miss K towards interest, fees, and charges on this loan, including payments made to a third party where applicable, but not including anything you have already refunded.

B) Calculate 8% simple interest* on the individual payments made by Miss K which were considered as part of "A", calculated from the date Miss K originally made the payments, to the date the complaint is settled.

C) Pay any remaining refund to Miss K.

D) Remove any adverse payment information recorded on Miss K's credit file in relation to the loan.

*HM Revenue & Customs requires you to deduct tax from this interest. Everyday Lending should give Miss K a certificate showing how much tax it has deducted if she asks for one.

**My final decision**

My final decision is that I uphold Miss K's complaint and I direct that Everyday Lending Limited does as I have outlined in the 'putting things right' part of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 26 May 2022.

Rachael Williams
**Ombudsman**