

The complaint

Miss S complained that Everyday Lending Limited (“Everyday Lending”) irresponsibly granted her a personal loan in October 2021 that she couldn’t afford to repay.

What happened

In October 2021, Miss S took out a loan of £6,100 over a term of 60 months, with a monthly repayment of £280.03. The purpose of the loan was stated to be debt consolidation.

In summary, Miss S told us that she didn’t think Everyday Lending had carried out reasonable and proportionate checks when it granted the loan, and she is now in financial difficulty. Miss S would like the interest and charges on the loan to be refunded.

Miss S complained to Everyday Lending about this in April 2023. Everyday Lending said it *had* carried out appropriate checks before granting the loan, and told Miss S that it did not uphold her complaint.

Miss S then brought her complaint to this service. Our investigator looked into it and thought it should be upheld. Everyday Lending didn’t agree, and asked for it to be reviewed by an ombudsman.

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 approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided to uphold Miss S’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Everyday Lending completed reasonable and proportionate checks to satisfy itself that Miss S would be able to make the repayments on each loan account in a sustainable way.

Everyday Lending sent in copies of Miss S’s loan application and agreement and its assessment of her circumstances, including information from her credit history and bank statements. Miss S has provided a copy of her credit record.

Everyday Lending said that Miss S had a net monthly salary of £1,936.90 and received £362.70 in personal independence payments, giving her a monthly income of £2,299.60. Her rental payment was £347.36 per month. (I should say here that Miss S’s monthly salary as shown on her bank statements was lower than the figure stated above, and fluctuated in the

two months leading up to the loan, although I accept that that figure was based on an average over six months. But I have no information about whether Everyday Lending checked that the average figure was still appropriate).

Everyday Lending further said that its checks included:

- obtaining and reviewing up to two months bank statements from Miss S's primary bank account
- obtaining and reviewing at least one month's pay slip
- conducting a Credit Search with one of the credit reference agencies
- carrying out a job check

Everyday Lending also said that, as part of its underwriting, it would've assessed Miss S's ability to service the loan for the full term of the agreement without any significant negative impact. It said it used ONS data to calculate an estimate of living expenses, which was then verified using the bank statement information; a buffer figure was then added to allow for unexpected expenses. On this basis, it said that Miss S's approximate monthly expenditure was calculated as £1,850.21 before the consolidation of any debt, and that she had a monthly disposable income of £339.01 afterwards.

Everyday Lending sent in the copies of the bank statements and payslip it had obtained, so I can see that it did get the information stated above. Miss S had a number of unsecured debts, and based on the information I have, I think it was proportionate for Everyday Lending to carry out that level of checking.

So, the next question I need to consider is whether, based on those checks, its decision to grant the loan to Miss S was fair.

At the time of the loan, it looks as though Miss S had the following unsecured credit commitments:

- a hire purchase agreement with an outstanding balance of £3,809 with associated monthly repayments of £84.
- several credit cards and mail order accounts with a total balance of just over £4,700.
- a current bank account which was overdrawn.
- a utility account with £341 outstanding.
- a monthly payment to a debt collection company of £50.

The main purpose of the loan was debt consolidation - Miss S was planning to use £4,700 to repay the credit card and mail order debts, with the remainder being used to cover the cost of Christmas. So the hire purchase agreement was to remain in place.

So after the loan was granted, it looks as though Miss S would be making the hire purchase payments of £84.00 and the new loan repayments of £280.03 – a total of £364.03. It's not clear how long the payments were required to the debt collection company, so I have not taken those into account in looking at Miss S's ongoing commitments.

On the face of it, it seems that Miss S's monthly commitments were manageable.

However, I'm not satisfied that Everyday Lending took account of Miss S's *actual* living expenses and the pattern of spending as shown on her bank statements.

One of Miss S's bank statements showed the account in overdraft, and the other showed an opening and closing balance of less than £100. This is much less than I'd expect to see if Miss S had the calculated disposable income of around £340.

I've also looked at the amounts outstanding on the various credit cards and mail order accounts - on the balances stated above, and taking into account a payment of 5% each month so as to cover the minimum payment plus an amount to gradually repay the balances, the monthly commitment would be in the region of £235. So the new monthly loan repayment of £280.03 was increasing Miss S's outgoings.

Taking all this into account, I don't consider that Everyday Lending acted fairly in granting the loan to Miss S. I say this because I'm not satisfied that Everyday Lending fully reviewed Miss S's actual living expenses and pattern of spending (including a number of gambling transactions, although I accept an amount in this respect was noted on its records of the loan application). Had it done so, I think it would have concluded that the monthly repayments on the new loan were unlikely to be sustainable - I'm not satisfied that Miss S had enough disposable income to manage those repayments. Therefore I've concluded that this complaint should be upheld.

Putting things right

I don't think Everyday Lending should have provided the loan to Miss S, so I don't think it's fair for it to charge any interest or charges on that loan. However, Miss S still needs to repay the capital amount she borrowed. Therefore, Everyday Lending should:

- remove all interest, fees and charges applied to this loan from the outset. The payments Miss S has made should be deducted from the new starting balance – the £6,100 originally lent. If once all adjustments have been made this shows that Miss S has made overpayments, these overpayments should be refunded to Miss S, together with interest at 8% simple a year* from the date they were made to the date of settlement.
- if, once all adjustments have been made, Miss S still has an outstanding amount to repay, Everyday Lending should contact Miss S to arrange a suitable repayment plan. Miss S is encouraged to get in contact with and cooperate with Everyday Lending to reach a suitable agreement for this.
- Everyday Lending should remove any adverse information (if any) it has recorded on Miss S's credit file.

*HM Revenue & Customs requires Everyday Lending to deduct tax from any award of interest. It must give Miss S a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons given above I have decided to uphold Miss S's complaint. Everyday Lending Limited should compensate Miss S as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 19 February 2024.

Jan Ferrari
Ombudsman