DRN-4660416

The complaint

Miss R is complaining that Everyday Lending Limited trading as Everyday Loans (ELL) lent to her irresponsibly by providing her with a personal loan.

What happened

In September 2022, Miss R applied for a loan with ELL to consolidate her debts. She had several debts at the time with two outstanding loans, credit cards, an overdraft, and another revolving credit facility. Miss R applied for a loan of £3,500 but ELL offered to lend her £4,500. The loan required her to make 60 monthly repayments of £252.51.

Miss R complained to ELL in June 2023. ELL responded, saying they'd carried out appropriate checks before lending to Miss R. They said they'd confirmed her income, discussed her rental expenditure, and obtained and reviewed her bank statements. They also said they'd reviewed Miss R's credit record. ELL said they'd used Office for National Statistics (ONS) data to estimate Miss R's expenditure and calculated that after consolidating the debt and making the £252.51 payments she'd have disposable income of around £80 per month. So they felt the loan was affordable and didn't uphold her complaint.

Miss R wasn't happy with ELL's response so she brought her complaint to our service, saying ELL had lent to her irresponsibly because they put her into a worse financial position than she was already in.

One of our investigators looked into Miss R's complaint and upheld it. In summary, her view was that ELL had done proportionate checks before lending to Miss R but the amount of disposable income they'd suggested this left Miss R with wasn't reasonable.

ELL weren't happy. They said they'd done thorough checks including a conversation with Miss R. They said they'd taken into account the highest expenditure figures where there was any doubt and built in a buffer so they didn't think it was unreasonable to allow for Miss R having £80 fully disposable income. ELL asked for an ombudsman's decision – and the matter came to me.

I issued a provisional decision on 2 February 2024. In that, I said I wasn't inclined to uphold the complaint – as follows:

> *"<u>What's required of lenders?</u>*
>
> *The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.*

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did ELL carry out proportionate checks?

ELL's loan required Miss R to pay back over £15,000, over a five-year period. So my starting point is that I'd expect their checks to have been thorough.

ELL have told us they looked at Miss R's bank statements and credit file, and at the relevant ONS data. And they've told us they held an interview in branch with Miss R which would have lasted around an hour. This interview would have involved discussing individual items on the bank statements and I've seen evidence from ELL's notes that they talked through all aspects of Miss R's expenditure including clothing, holidays, window cleaning etc, and used this information to calculate Miss R's disposable income.

I'm satisfied these checks were proportionate – they checked Miss R's income and went through her expenditure in detail, verifying significant elements of it. I can't say ELL should have done more.

Did ELL make a fair lending decision?

Having decided that ELL carried out proportionate checks, I have to consider whether their decision to lend to Miss R was fair.

Miss R had income from four sources – employment, universal credit, child benefit, and child maintenance from an individual. ELL calculated a total income of around £1,760. Looking at Miss R's bank statements, I'm satisfied this was a fair, if low, estimate.

ELL estimated Miss R's monthly living expenses as £1,408, including the full monthly rent payable for her property. That was despite the fact that much of her rent was paid direct through benefits each month – the amount she needed to pay herself was around £60 rather than the £442 ELL included in their income and expenditure assessment. I'm inclined to say this was a fair, if prudent, estimate.

ELL looked at the amount Miss R needed to pay to creditors each month according to her credit file. They estimated this at just under £400. This didn't include any repayments against the one defaulted balance on her credit file. Nor did it include one £11 per month mobile phone contract – but this had been taken into account in the living expenses assessment. The credit file also showed a £24 per month payment for insurance – which wasn't included in ELL's estimate of Miss R's living expenses – so I'm inclined to say this should have been included in their estimate of her credit repayments.

Allowing for monthly repayments of 5% of the default balance, and adding in the insurance cost, I'm inclined to say Miss R's creditor repayments should have been estimated at around £430 instead of £400.

ELL then deducted around £375 for the creditor repayments that Miss R wouldn't need to make once she'd consolidated her debts and added in £252 for the repayments to themselves, arriving at disposable income of £80. I'm inclined to say this was reasonable – Miss R had stated the purpose of the loan was to replace those debts so she wouldn't need to make those payments going forward.

If ELL had used my figures for creditor repayments instead of their own, ELL would have arrived at a monthly disposable income of £50. However, this disregards the fact that

Miss R was paying £60 in rent rather than the £442 ELL included in their estimates. I've also not yet mentioned that ELL's estimate of living expenses included a £45 buffer, and included several items that might be considered discretionary, for example dance lessons and window cleaning.

On balance, I'm inclined to say ELL did proportionate checks, made appropriate estimates, and fairly decided to lend to Miss R.

<u>Did ELL act unfairly in any other way?</u>

I'm aware part of Miss R's complaint is that ELL lent her more than she'd asked for. Having not been present at the meeting between ELL and Miss R I can't be sure what was said. So I'm not sure why Miss R accepted a £4,500 loan if she only wanted £3,500. But I can see from the notes that the £4,500 offered was to cover all of Miss R's creditors. Looking at the credit report ELL obtained, I'm inclined to say this rationale was reasonable – the total of her credit balances at the time was around £4,500. And, as I've set out above, I don't think this amount was unaffordable for Miss R."

ELL didn't reply to my provisional decision, but Miss R did. She said she didn't have an interview in branch but over the phone and she didn't have any advance notice of this conversation. Miss R said that meant her estimates of her expenditure weren't high enough. She also thought ELL would have checked the figures because they had copies of her bank statements. Miss R said ELL also overstated her income because both her wages and her universal credit amounts were variable.

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, and recognising it'll be very disappointing for Miss R, I've not been persuaded to change my opinion. I'll explain why.

Although ELL said the interview took place in branch, I don't think it matters that instead it was over the phone. The notes from the conversation are clear and it's apparent that ELL had been through Miss R's bank statements as well as obtaining Miss R's estimates and commentary. They'd also calculated estimates based on statistical data and seem to have carefully considered which figure to use for each line of spending. I can't say ELL should have included every amount of spending shown on Miss R's bank statements – they're only required to make a reasonable estimate of non-discretionary expenditure.

In relation to her income, Miss R suggested ELL shouldn't have included income from working overtime. But she was regularly working overtime, so I can't say it was unreasonable for ELL to include an average of her income which included overtime.

It's also clear that ELL initially offered Miss R £3,500 but discussed a loan of £4,500 over the phone. I don't think that was unfair in the context of her current debts.

My final decision

As I've explained above, I'm not upholding Miss R's complaint about Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 1 April 2024.

Clare King
Ombudsman