

## **Complaint**

Mrs P has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to her. She says the loan shouldn’t have been provided to her and made her position worse.

## **Background**

Everyday Loans provided Mrs B with a loan for £6,029.09 in February 2022. This loan had an APR of 72.7% and the total amount to be repaid of £17,749.80, which included interest fees and charges of £11,720.71, was due to be repaid in 60 monthly instalments of £295.83. Most of the proceeds from this loan were used to settle outstanding balances directly with Mrs P’s existing creditors.

One of our investigators reviewed what Mrs P and Everyday Loans had told us. He thought that Everyday Loans shouldn’t have provided this loan and recommended that Mrs P’s complaint be upheld. Everyday Loans disagreed and asked for an ombudsman to look at the complaint.

## **My provisional decision of 2 October 2023**

I issued a provisional decision – on 2 October 2023 - setting out why I wasn’t intending to uphold Mrs P’s complaint.

In summary, I didn’t think that Mrs P’s complaint should be upheld because:

- I was satisfied that Everyday Loans had completed reasonable and proportionate checks.
- Mrs P had committed to using the funds from this loan to repay the balances on her existing revolving credit accounts.
- Our investigator had included payments towards repaying the balances which wouldn’t have to be made going forward as well as transfers to other accounts, when determining that Mrs P’s committed expenditure exceeded her income.
- When the payments that shouldn’t have been included as Mrs P’s committed expenditure were excluded, she did have enough to sustainably make the repayments to this loan.

## **Responses to my provisional decision**

Everyday Lending didn’t respond to my provisional decision and or provide anything further to me to consider.

Mrs P disagreed with my provisional decision stating:

- An income and expenditure assessment wasn't carried out with her before she was provided with this loan.
- The fact that she was using her overdraft shortly before getting paid was an indication that she was struggling financially and couldn't afford the loan.
- She took this loan out to repay rent and utility arrears.
- She asked Everyday Loans for £3,000.00 and was instead provided with a loan for a much larger amount.

## **My findings**

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs P's complaint.

I'd like to thank Mrs P for responding to my provisional decision and her additional submission. But having carefully considered them as well as everything else provided from the outset, I'm still not upholding Mrs P's complaint. I'll explain why in a little more detail.

Everyday Loans needed to make sure that it didn't lend irresponsibly. In practice, what this means is Everyday Loans needed to carry out proportionate checks to be able to understand whether Mrs P could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Everyday Loans says it agreed to Mrs P's application after she provided details of her monthly income and information on her expenditure. It says it cross-checked this against credit searches it carried out and copies of bank statements which Mrs P was asked to provide. In its view all of this information showed Mrs P could afford to make the repayments she was committing to.

On the other hand, Mrs P has said she shouldn't have been lent to. And since my provisional decision she's said that she took out this loan to repay rent and utility bill arrears.

I've carefully thought about what Mrs P and Everyday Loans have said.

The first thing for me to say is that while Mrs P says an income and expenditure assessment wasn't carried out with her, there is a detailed income and expenditure assessment form on file. And this form is dated February 2022, when this loan was taken out, and appears to have Mrs P's signature on it. So I'm satisfied that the available evidence indicates that it is more likely than not that Everyday Loans did in fact carry out an income and expenditure assessment with Mrs P before providing this loan to her.

As I explained in my provisional decision, Everyday Loans carried out a credit search on Mrs P. And the information provided from the credit search does show that Mrs P had existing debts. But these were relatively well managed. Equally, having once again reviewed

the bank statements obtained, I still can't see anything on them which indicated Mrs P wouldn't be able to make the repayments.

I know that our investigator concluded that Mrs P's committed expenditure was the same as her income because the bank statements obtained showed that she used all of the funds going into her account each month. Furthermore, Mrs P has reiterated the investigator's finding that her usage of her overdraft shortly before being paid was an indication that she was in financial difficulty, in her response to my provisional decision.

I've considered what Mrs P has said. But as I explained in my provisional decision, the statements included all of the money going out of Mrs P's account including payments to the accounts that were going to be consolidated, which Mrs P wouldn't have to make going forward. And even more importantly this also included transfers to another account, which were marked as savings on the bank statements.

Mrs P says that she didn't have a savings account at the time and that these payments were more likely payments to her credit card. But I can confirm that these were payments to her daughter. These were in addition to the credit card payments she was making and there is a handwritten explanation on the statements suggesting that these were for savings.

I suspect that this is the explanation Mrs P provided about these payments to Everyday Loans at the time of the income and expenditure assessment. But the reality is, given these payments don't appear to be contractual, I wouldn't automatically include them as committed expenditure in an income and expenditure assessment.

Furthermore, Everyday Loans appears to have ensured that the majority of the funds from this loan would be used to repay Mrs P's existing debts. Mrs P says that she wasn't told she could only use the funds to repay existing debts and actually took the funds to pay rent and utility arrears.

I've thought about what Mrs P has said. However, the purpose of the loan was recorded as debt consolidation. Secondly, there isn't any indication at all, in the income and expenditure assessment, that Mrs P was in rent or utility bill arrears at the time of this application. Indeed, Mrs P's bank statements show payments to her utility provider in the lead up to this application. I don't rule out the possibility that Mrs P might have been in rent and utility bill arrears. But, even if she was, I can't see how Everyday Loans would have known about this.

Equally, while I've thought about what Mrs P has said about her overdraft usage, her overdrawn balance each month was low – less than £10. So I can't reasonably make the finding that Everyday Lending ought reasonably to have realised that she was trapped in an cycle of unsustainable overdraft usage and that it was therefore apparent she was in financial difficulty.

So I'm satisfied that Everyday Loans took reasonable steps here to ensure that it wasn't increasing Mrs P's existing indebtedness in a way that was unsustainable or otherwise harmful, as well as taking reasonable steps to ensure Mrs P was able to make the monthly repayments.

I accept that Mrs P says she experienced difficulty making the payments. And the reason why might have been because she did go on to re-establish balances on her revolving credit accounts. But Everyday Loans could only make a reasonable decision based on the information it had available at the time. It won't have known Mrs P would do this – all it could do was take reasonable steps to ensure the balances would be repaid, which for the reasons I've explained I think it did, it couldn't close the accounts in question because they were held with other providers.

I've seen what Mrs P has said about only wanting a loan for £3,000.00, rather than the £6,029.09 she was lent and that Everyday Lending didn't explain the total amount she'd have to repay on her loan. I don't know what happened when Mrs P applied for her loan. It's possible that she wanted £3,000.00 in 'new' funds but Everyday Lending suggested the possibility of consolidating her existing balances to reduce the monthly payments she'd make towards credit commitments going forward. But there simply isn't enough here for me to be able to safely make this finding.

In any event, what is clear is that Mrs P knew her application was for £6,029.09 and that's the amount she was lent. I appreciate that Mrs P says that the total amount she would have to repay wasn't explained to her. However, Mrs P's loan agreement not only sets out that she would have to pay £295.83 a month for 60 months, but that the total amount she would have to repay is £17,749.80.

I accept that this loan is expensive. But as Mrs P signed the agreement indicating her acceptance of these terms and then accepted the funds, I can only reasonably conclude that she was content to proceed with the application on this basis, even if this might not be her intended course of action when she first approached Everyday Loans.

So overall and having considered everything, I'm satisfied that Everyday Loans didn't treat Mrs P unfairly or unreasonably when providing her with her loan - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And this means that I'm not upholding Mrs P's complaint.

I appreciate this will be very disappointing for Mrs P – especially as she was initially told by our investigator that her complaint should be upheld. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Mrs P's complaint, I would remind Everyday Loans of its continuing obligation to exercise forbearance and due consideration in the event of Mrs P has difficulty making payments and it chooses to collect payments from her.

### **My final decision**

For the reasons I've explained above and in my provisional decision of 2 October 2023, I'm not upholding Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 22 November 2023.

Jeshen Narayanan  
**Ombudsman**