DRN-4440993

The complaint

Miss B complains that Everyday Lending Limited trading as Everyday Loans ("EDL") irresponsibly agreed a loan for her.

What happened

EDL agreed a loan of £2,500 for Miss B in April 2021. The total amount owed was £4,393 to be repaid at £183 a month over 24 months (figures rounded).

Miss B complained to EDL that the loan was unaffordable and it had been irresponsible to have agreed it. EDL didn't uphold Miss B's complaint. It said that it carried out a reasonable and proportionate affordability check before lending to Miss B and found that the loan would be sustainable over the term as she had sufficient disposable income to meet the repayments. I understand that Miss B met her repayments at least up until February of this year when EDL provided her with its final response to her complaint.

Miss B referred her complaint to us. She shared that her personal circumstances at the time were very difficult as a close family member had serious health concerns. She also told us that since taking out the loan she's had to rely on short term lending several times. Miss B said she's worked with a debt charity who helped her set up repayment plans with her creditors but EDL didn't agree to put one in place.

One of our investigators looked into the complaint. They concluded that EDL had carried out a proportionate check before lending to Miss B which didn't raise any concerns. They found EDL hadn't been irresponsible to lend to Miss B on the basis of the information it gathered and so didn't recommend that her complaint be upheld.

Miss B didn't agree with this recommendation and asked for the complaint to come to an ombudsman to review and resolve.

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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as EDL, need to abide by. EDL will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, EDL needed to check that Miss B could afford to meet her repayments out of her usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and take into consideration Miss B's circumstances. EDL needed to pay proper regard to the outcome of its checks in respect of affordability risk.

Ultimately, EDL needed to treat Miss B fairly and take full account of her interests when making its lending decision. It would not be lending fairly if "it targeted customers with regulated credit agreements which are unsuitable for them, by virtue of their indebtedness, poor credit history, age, health, disability or any other reason."

The questions I've considered are whether or not EDL carried out a proportionate affordability check before lending to Miss B? If not, what would a proportionate check have shown? Did the checks EDL carried out show anything of concern and ultimately, did EDL treat Miss B fairly and with due regard to her interests when it offered her the loan?

I'll begin by saying that I am sorry to hear about the very difficult circumstances Miss B and her family were in around the time she took out her EDL loan. I appreciate that this will be disappointing for Miss B but I am not upholding her complaint. I'm sorry I can't provide the outcome she wanted and I hope my explanation clearly sets out how I've reached my decision.

EDL said that it relied on information from Miss B which included her payslips, two months bank statements and information from her credit file. Miss B said she had a net monthly income of around £3,117 including child benefit and maintenance payments and her rent was £400. EDL estimated Miss B's monthly expenses using national statistical datasets. It estimated that altogether Miss B spent around £2,261 a month leaving her with a disposable income of £673 after taking into account the loan repayments of £183. EDL concluded that the loan repayments would be affordable for Miss B and sustainable over the term.

It seems to me that EDL gathered sufficient information to carry out a reasonable assessment. Miss B provided her bank statements from the account her wages were paid into and statements for her top-up debit card account. She also provided a recent copy of her credit file. I've reviewed everything to understand what EDL knew about Miss B's finances from its checks and to consider whether it made a fair lending decision.

The statements confirm Miss B's income and rent payments. I've estimated a slightly higher figure for Miss B's regular expenses but, as I don't have the breakdown of EDL's expense figure, I can't say how our estimates differ. In either case however, it does seem that Miss B would have enough money left over each month to meet the loan repayments and I've found that the loan was affordable on a pounds and pence basis at least.

I can see from the bank statements that Miss B was repaying a hire purchase agreement, loans from high street banks, credit cards and mail order accounts and buy now pay later agreements. Altogether, she was spending about £1,000 on debt a month, almost a third of her income. This was a sizeable amount and I think might have raised concerns for EDL had Miss B been struggling to meet her repayments.

I've looked at Miss B's credit file to understand what debts she had at the time and how she was managing these. Her credit report doesn't list all of these debts and most of the debts it does list were shown as being repaid on time at the time of taking out this loan. I think it's likely EDL would have seen that Miss B had an arrangement to pay on two mail order accounts. However, given that everything else seemed to be in order, I can't say that these alone would or should have been enough for EDL to have declined to lend to Miss B at that time.

The credit report shows that Miss B defaulted on two accounts later in 2021 and another in 2022, and that she borrowed from short term lenders in 2022. I can see that Miss B struggled with her debts and, as mentioned, she worked with a debt charity to help manage her repayments with her creditors. I understand that Miss B met her repayments for this loan on time up to February of this year and so has at most a few months left to pay if she didn't keep up her repayments.

I'd remind EDL of its obligation to treat Miss B with forbearance and due consideration if her account is in arrears, which may mean putting in place an affordable repayment plan for the balance. I haven't found that EDL was irresponsible to enter into the agreement and so I am not directing it to take any further steps in this matter.

My final decision

For the reasons I've explained above I am not upholding Miss B's complaint against Everyday Lending Limited trading as Everyday Loans and don't require it to pay any compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 December 2023.

Michelle Boundy
Ombudsman