

The complaint

Ms W complains that Everyday Lending Limited (trading as Everyday Loans) was irresponsible to lend to her.

What happened

Ms W had one loan from Everyday Loans in October 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	29 Oct 2021	£1,500	24m	£119.44	1 Nov 2023	In arrears

Ms W says that Everyday Loans did insufficient checks before approving the lending. She says she could not afford the monthly repayments and within a few months was struggling financially. Ms W adds that the loan was intended to consolidate other debts, but it ended up causing her to get further into debt which in turn affected her mental health.

Everyday Loans says it reviewed Ms W's bank statements and a payslip and carried out a credit search. It said it calculated Ms W had a monthly disposable income figure of £66 after the consolidation and the loan repayment. Everyday Loans says it believed the checks were proportionate and the repayments were sustainable.

Our investigator recommended the complaint should be upheld. She said Everyday Loans' calculations showed Ms W had insufficient disposable income to sustainably make the repayments and should refund all the interest and charges as well as removing any associated negative information recorded on her credit file.

Everyday Loans did not respond to the investigator's recommendation and so the complaint has now been passed to me.

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 need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Ms W's case, I've considered the following:

- Did Everyday Loans complete reasonable and proportionate checks when assessing Ms W's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?

- If not, what would reasonable and proportionate checks have shown?
- Did Everyday Loans make a fair lending decision?
- Did Everyday Loans act unfairly or unreasonably in some other way?

Everyday Loans carried out the following checks for the loans:

- It checked and verified Ms W's income and employment;
- It checked and verified Ms W's rental costs;
- It reviewed Ms W's credit file and identified credit to be repaid with the new loan;
- It reviewed Ms W's recent bank statements.

I'm satisfied these checks were reasonable and proportionate for the loan.

As I'm satisfied that Everyday Loans carried out proportionate checks, I have now considered what this information showed:

- Ms W's verified income was £1,371
- She had rental costs of £495 per month;
- She had three credit cards with a combined balance of £2,928;
 - Two of these cards were over their credit limit;
- There was a £15 per month credit commitment to a telecoms company;
- Ms W said the purpose of the loan was for consolidation and that she intended to repay a credit card with a balance of £479;
- This meant her existing monthly credit commitment was £138 going forwards;
- From her bank statements, Everyday Loans identified regular expenditure of £205 on council tax, insurances, TV and phone costs and car expenses;
- Everyday Loans used industry standard statistical data to estimate Ms W's remaining monthly living expenses to be £322.

Adding a 5% buffer onto the living expenses, Everyday Loans calculated that Ms W would have disposable income of £66 per month after making the loan repayment.

I'm not satisfied this demonstrated the loan was sustainably affordable to Ms W because:

- The loan was for 24 months, and I find it unlikely that a disposable income of £66 per month would be sufficient to cover any unforeseen expenditure for that period;
- Everyday Loans had estimated some of Ms W's outgoings and a review of her bank statements suggest that the figures used for food and petrol were significantly lower than her actual expenditure;
- Although Ms W had an explanation for being over her credit limits, I consider this was already an indication that she might be struggling financially.

So, in summary, I find the loan was unsustainable for Ms W and, indeed, I note she only made two repayments on the loan before the third was returned unpaid and no further payments were made. That said, I haven't seen any evidence to show that Everyday Loans acted unfairly in any other respect and whilst I sympathise with the effect this has had on

Ms W's mental health, I can't see that it was made aware of the issues before Ms W submitted her complaint.

My final decision

My decision is that I uphold this complaint. Everyday Lending Limited (trading as Everyday Loans) should:

- Add up the total amount of money Ms W received as a result of having been given the loan. The repayments Ms W made should be deducted from this amount.
 - If this results in Ms W having paid more than she received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). *
 - If any capital balance remains outstanding, then Everyday Loans should attempt to arrange an affordable and suitable payment plan with Ms W;
- Remove any negative information recorded on Ms W's credit file regarding the loan, once it has been repaid.

*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. Everyday Loans should give Ms W a certificate showing how much tax it's deducted if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 28 July 2023.

Amanda Williams
Ombudsman