

The complaint

Mr J complains that Everyday Loans Limited (“Trusttwo”) lent him a loan he couldn’t afford.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them all again here.

Trusttwo lent Mr J £8000 in February 2018, this is not in dispute, so I’ll focus on giving the reasons for my decision about this loan.

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.

The investigator concluded Trusttwo did not make a fair lending decision. I agree with the investigator’s findings for these reasons:

- Trusttwo says it carried out proportionate checks before agreeing to lend to Mr J. It says it asked him about his income and accommodation costs as well as go through a credit search. It says it also added £1000 for Mr J’s living expenses. It used the information it gathered to assess the affordability of the loan for Mr J.
- The loan was due to be repaid over 60 monthly instalments of around £313 and Trusttwo says Mr J asked for the loan for debt consolidation. When I look at Trusttwo calculations, I can see that, on the surface of it, it had worked out that Mr J would have enough disposable income to afford the loan repayments. But like the investigator, on balance I don’t think Trusttwo made a fair lending decision with what it had in front of it.
- I say this because when I look through the credit search results, I can see that Mr J had taken out a relatively large loan not that long before asking for this one. The repayment for this when added to the Trusttwo loan repayment and other credit commitments not covered by the proposed consolidation would be a significant monthly commitment for Mr J. In addition, I can see that Mr J had a default recorded against his name. This account had been defaulted within only a few weeks of Mr J asking for this loan and it had an outstanding balance to repay. Mr J also had a County Court Judgement (CCJ) with a significant outstanding balance too. I think all of this ought to have raised concerns with Trusttwo about Mr J’s ability to be able to repay any additional credit.
- Trusttwo say it asked Mr J about the default and the CCJ and recorded down what he said. It says Mr J told it the CCJ was in relation to a failed business and the default was due to be repaid with the proceeds of this loan. But I don’t think Trusttwo acted on the information that it had in front of it. Instead it assessed what Mr J was

telling it and whether he could afford the loan strictly on a pounds and pence basis.

- I can see from the information Trusttwo gathered, that Mr J was having problems managing his finances. I can't see how Trusttwo would have taken any assurance from the credit search it carried out or what Mr J had told it when it was assessing whether he would be able to repay the monthly instalments on this loan, over the 5 year term, in a sustainable way. And, in these circumstances, Trusttwo should reasonably have concluded that it was not fair to lend to Mr J.
- So, it follows that I uphold Mr J's complaint. Trusttwo now needs to put things right.

Putting things right

While I think Trusttwo shouldn't have lent to Mr J, I think it will be fair for him to repay the capital of £8000 which he borrowed. So, to put things right, Trusttwo should:

- add up all the payments made by Mr J, if it exceeds the capital amount of £8000, then the overpayments plus 8% simple interest* should be paid to Mr J, remove any adverse information recorded on Mr J's credit file as a result of this loan.
- If there is a balance outstanding, Trusttwo should treat Mr J fairly and look to arrange a payment plan that is affordable for him.

*HM Revenue & Customs requires Trusttwo to deduct tax from the interest payment referred to above. Trusttwo must give Mr J a certificate showing how much tax it's deducted if he asks it for one.

My final decision

My final decision is that this complaint should be upheld and direct Everyday Loans Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 4 May 2022.

Mark Richardson
Ombudsman