

The complaint

Mr M has complained that Everyday Lending Limited (“Everyday Loans”) lent to him irresponsibly.

What happened

Mr M was given two loans by Everyday Loans. The details of these loans are given below:

Loan	Date taken	Date repaid	instalments	amount	Repayments
1	22/06/2018	20/02/2019	24	£1500	£134.39
2	20/02/2019	outstanding	30	£2300	£159.19

I issued a provisional decision on this complaint in March 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Everyday Loans on both occasions it lent to Mr M asked for information about his income and expenditure. It requested bank statements to verify the income and some expenditure that Mr M had told it he had. It carried out a credit search on both occasions. It also used Office of National Statistics (ONS) data to assess Mr M’s living expenses.

I think in the circumstances when it agreed to both of the loans, it would have been proportionate for Everyday Loans to have done more to check Mr M’s regular expenditure. I say this when I consider the amount Mr M was borrowing and the term given on either loan. Everyday Loans also would have seen when it conducted its credit searches that Mr M had a default with an outstanding balance, and I think this ought to have prompted it to want to know more as well. But I don’t need to draw any further conclusions about all this. This is because, on balance, I don’t think Everyday Loans made a fair lending decision for either loan and I will explain why.

Mr M asked for loan 1 in June 2018 for £1500 and when he did this, he told them about his income and expenditure. His income was validated by bank statements gathered and when I see Everyday Loans’ income and expenditure sheet I can see, on the face of it, he had sufficient income to be able to afford the loan.

But the lender was aware from the credit check it had acquired that Mr M had existing credit commitments. He had a hire purchase agreement with a monthly loan repayment of £204.66 and he had an outstanding balance to repay on a defaulted account. It could also see from the bank statements that it had collated that Mr M was consistently using his overdraft and this was attracting fees daily.

With this in mind, I agree with the investigator when he said Mr M was paying a significant amount of his income to credit commitments. Mr M had a large hire purchase agreement, an outstanding default and overdraft fees to repay each month. This all meant that, once added to the monthly repayment of this loan, Mr M was paying such a significant proportion of his monthly income on credit repayments that

Everyday Loans ought to have realised it was unlikely that he would be able to sustainably repay his loan over the two-year term. And, in these circumstances, when I consider what was shown on the credit search, the bank statements and what it would have found Mr M to be committed to, Everyday Loans should reasonably have concluded that it was not fair to lend to him.

Mr M's finances didn't improve when he asked for loan 2. Everyday Loans would have seen that Mr M had taken out another loan, alongside his hire purchase agreement. He was still reliant on his overdraft and he hadn't made any inroads into repaying his defaulted account balance. Mr M's credit commitments had increased and by this stage, along with the monthly repayment for loan 2, he was due to repay around 45% of his monthly income in credit repayments. I think Everyday Loans ought to have seen this and should have reasonably concluded that the loan repayments were not sustainable over the 30-month term of loan 2 and not agreed to it.

Taking everything into account, I don't currently think Everyday Loans should have agreed to provide either loan to Mr M. So, I am currently intending to uphold this complaint and direct Everyday Loans to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Everyday Loans did not respond. Mr M's representatives responded and said it had received the provisional decision. It did not add any further comments though.

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.

Mr M has not made any new points for me to respond to and Everyday Loans has not responded. So, as neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr M's complaint.

Putting things right

I think it is fair and reasonable for Mr M to repay the principal amount that he borrowed for both loans, because he has had the benefit of the lending. But he has paid interest and charges on lending that shouldn't have been provided to him.

Everyday Loans should:

- Remove all interest, fees and charges on loans 1-2 and treat all the payments Mr M made as payments towards the capital.
- If reworking Mr M's loan account results in him having effectively made payments above the original capital borrowed, then Everyday Loans should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Remove any adverse information recorded on Mr M's credit file in relation to the loans.

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

My final decision

My final decision is that I uphold Mr M's complaint and I direct Everyday Lending Limited to put things right as I have described above.

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

Mark Richardson
Ombudsman