

## The complaint

Mr B complains that Everyday Lending Limited (“ELL”) lent to him in an irresponsible Manner.

## What happened

Mr B was given 5 loans by ELL. The details of these are as follows:

Number	Date taken	Amount	Term	Repayment	Repaid
1	August 2013	£3270.00	36 months	£196.55	May 2014
2	May 2014	£4952.25	36 months	£246.20	April 2015
3	April 2015	£5333.87	30 months	£265.42	December 2015
4	December 2015	£6000.00	36 months	£254.82	September 2016
5	September 2016	£6500.00	48 months	£270.47	March 2021

When Mr B took out loan 2, he used part of the capital amount to repay his existing loan. He did this when he took out loans 3, 4 and 5 also.

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

### “Loan 1

*ELL gathered some information from Mr B before it agreed to loan 1 in August 2013. It asked him for details of his income and his expenditure. It verified Mr B's income by asking for a payslip. It then checked Mr B's credit file to determine how much he was paying to other lenders. And it asked Mr B to provide copies of his bank statements. It then used a figure of 35% of Mr B's monthly income to calculate how much living costs he would have.*

*Mr B was entering into a significant commitment with ELL. He was agreeing to make monthly repayments for a period of 3 years. So, I think it is right that ELL wanted to gather, and independently check, some detailed information about Mr B's financial circumstances before it agreed to lend to him. I think that the checks it did achieved that aim. I'm currently minded to think that its checks for loan 1 were proportionate.*

*But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. So, I've looked at the information ELL gathered from Mr B to check whether I agree it was appropriate for him to be given this loan.*

*ELL noted down Mr B's income as around £1319 and it says it verified this by looking at a payslip and also checking on the bank statements that he provided. It also recorded down Mr B's credit commitments and worked out his living expenses by using around 35% of Mr B's income. It also noted that Mr B was living at home with his parents at the time. It then calculated Mr B's disposable income as around £480 after it took into consideration the*

repayment from loan 1. I can see the credit search that it conducted at this time and there is nothing in it that ought to have caused ELL any concerns. I have also reviewed the bank statements that it would have had in front of it. I can see that Mr B was earning what he had declared he was to ELL and also there was nothing of concern regarding his expenditure either. When I look at the credit search results, the bank statements and also ELL's assessment, I think on balance, it made a fair lending decision. The loan looked affordable for Mr B.

### Loans 2 and 3

Mr B looked to refinance loan 1 around 9 months later in May 2014, when he applied for loan 2. He would use part of the loan to repay loan 1 and then receive the rest. He then did the same and refinanced again when he applied for loan 3, a further 9 months after that in April 2015. ELL again says it conducted the same checks for both of these loans. It recorded down his income, checked Mr B's credit commitments and says it looked through his bank statements.

Again, for both of these loans, Mr B was entering into a significant commitment with ELL. Mr B was refinancing and was asking for more than he had asked for previously, on both occasions. I would have with both loans expected ELL to conduct a complete review of Mr B's finances to ascertain whether he would be able to sustainably make the repayments. So, I think, as well as verifying his income, ELL should have also looked to verify Mr B's expenditure within the bank statements that it had gathered rather than using an estimated figure for his living expenses on each occasion. This is so it could assure itself of Mr B's true financial position and that he could make the repayments in a sustainable way.

As I can't see that it did this, I would need to consider what it would have seen if it had carried out further checks when it agreed to loans 2 and 3. Mr B did provide his bank statements to ELL from a period of time leading up to the loan application for loan 2 and loan 3. Mr B has also provided more comprehensive statements from that time as well. So, I have been able to review them and look through Mr B's expenditure when he took out both of these loans. In doing this, looking through the statements leading up to both loans being granted, I can see that there was no credit impairment on the statements. Mr B did take out sizeable sums of money in cashpoint withdrawals and so it is hard to ascertain what these amounts were for. I can't say with any certainty that these were for essential expenditure.

I can see that based on ELL's assessment for loans 2 and 3, Mr B would have been able to afford the repayments on each occasion. And I haven't seen anything within the bank statements provided by Mr B that would suggest to me that further checks and further verification of his expenditure would make either loan unaffordable. So, I don't think ELL irresponsibly agreed to loans 2 and 3 either.

### Loans 4 and 5

I haven't looked into whether ELL carried out proportionate checks or not for loans 4 and 5. This is because I am currently looking to uphold Mr B's complaint here anyway. I will explain why.

I looked at the overall history and pattern of lending of these loans. By the time of Loan 4, ELL ought reasonably to have realised it was increasing Mr B's indebtedness in a way that was unsustainable or otherwise harmful and so it shouldn't have provided this loan.

I say this because:

- By the time Mr B was asking for loan 4 he had been borrowing from ELL for around 26 months with no significant breaks in between each loan;

- *Mr B had repaid loan 1 and then around 9 months later applied for loan 2. He used some of the proceeds from loan 2 to repay loan 1. He did the same 9 months after that when he applied for loan 3. And then did the same again 8 months later when he applied for loan 4;*
- *Mr B wasn't making any inroads to the amounts he owed ELL. The amounts he was asking for had increased significantly from loan 1 to loan 4;*
- *Mr B had paid large amounts of interest to, in effect, service a debt to ELL over an extended period;*

*I think, the presence of these high cost loans on Mr B's credit file was likely to have had implications for Mr B's ability to access mainstream credit. I think on balance ELL ought reasonably to have realised at this stage that Mr B was in a cycle of debt and had become reliant on it for providing credit and so was harmful for him. This then continued when Mr B applied for loan 5. He had been indebted to ELL now for 35 months and the amount he was asking for had doubled from the capital amount he requested for loan 1. So, it is clear to me at this stage that his finances had deteriorated further as had his reliance on the credit being provided to him by ELL.*

*In conclusion, I think the checks ELL carried out for loan 1 were proportionate and on balance it made a fair lending decision. For loans 2 and 3 I think it should have looked to carry out further checks but based on what I could review I think the loans were affordable for Mr B anyway. But by the time Mr B had applied for loans 4 and 5, I think ELL had increased Mr B's indebtedness in a way that was unsustainable for him.*

*So, I uphold Mr B's complaint about loans 4 and 5. ELL now needs to put things right with these 2 loans."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr B responded through his representatives and said he was happy with the provisional decision. ELL responded but has not provided any further points to the findings in the provisional decision.

### **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.

Both parties have not made any further points. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, ELL now needs to put things right.

### **Putting things right**

I think it is fair and reasonable for Mr B to repay the principal amount that he borrowed for loans 4 and 5, because he has had the benefit of that lending. But he has been indebted with interest and charges on loans 4 and 5 that shouldn't have been provided to him.

ELL should:

- Remove all interest, fees and charges on loans 4-5 and treat all the payments Mr B has made as payments towards the capital.

- If reworking Mr B's loan account results in him having effectively made payments above the original capital borrowed, then ELL 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 all entries on Mr B's credit report relating to loan 4-5. Any information about these loans were likely to be adverse for Mr B.

\*HM Revenue & Customs requires ELL to deduct tax from this interest. ELL should give Mr B 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 B's complaint and direct Everyday Lending Limited trading as Everyday Loans to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 June 2022.

Mark Richardson

**Ombudsman**