

The complaint

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

What happened

Mr J was given 4 loans by ELL. The details of these are as follows:

Number	Date taken	Amount	Term	Repayment	Repaid
1	November 2016	£1000.00	24 months	£92.13	March 2017
2	March 2017	£2015.98	24 months	£194.40	January 2018
3	August 2018	£1500.00	18 months	£193.18	February 2019
4	February 2019	£2551.32	24 months	£278.49	outstanding

When Mr J took out loan 2, he used part of the capital amount to repay his existing loan. He did this when he took out loan 4. There was an amount outstanding for Mr J to repay at the time he complained to ELL.

I issued a provisional decision on this complaint in May 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 J before it agreed to loan 1 in November 2016. It asked him for details of his income and his expenditure. It verified Mr J's income by asking for a payslip. It then checked Mr J's credit file to determine how much he was paying to other lenders. And it asked Mr J to provide copies of his bank statements. It then used a figure of 35% of Mr J's monthly income to calculate how much living costs he would have.

Mr J was entering into a significant commitment with ELL. He was agreeing to make monthly repayments for a period of 2 years. So, I think it is right that ELL wanted to gather, and independently check, some detailed information about Mr J's financial circumstances before it agreed to lend to him. I think that the checks it did achieve that aim. I think 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 J to check whether I agree it was appropriate for him to be given this loan.

Mr J told ELL he was using the proceeds from this loan for debt consolidation. ELL noted down Mr J's income as around £1350 and it says it verified this by looking at a payslip that he provided. It also recorded down Mr J's credit commitments and worked out his living expenses by using around 35% of Mr J's income. It then calculated Mr J's disposable income as around £484 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. 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 J.

Loan 2

Mr J looked to refinance in March 2017, when he applied for loan 2. He would use part of the loan to repay loan 1 and then receive the rest. ELL again says it conducted the same checks for both of these loans. It recorded down his income, checked Mr J's credit commitments and says it looked through his bank statements.

Again, I think the checks it carried out were proportionate. But it still needed to act on the information it gathered and if need be, ask for further information or not provide the loan if it identifies concerns that Mr J would be unable to repay the loan in a sustainable way. So, I have looked into the information it did gather.

Within ELL's credit check results, 2 home lending accounts have appeared, both of which were taken out by Mr J in July 2011. I can't be sure why these accounts were not recorded on the credit search results that ELL conducted when it assessed whether loan 1 was affordable. But in any case, they appear when it carries out its search for loan 2. The finance provider for these home lending accounts reports that Mr J defaulted on these accounts in March 2017. So, I think this ought to have caused concerns to ELL, as this is so close to Mr J's application.

In addition, Mr J has again said that he would be looking to consolidate debt. ELL would have seen from the credit search results that Mr J didn't consolidate any debt and had the same accounts as well as loan 1 recorded on his credit file. So, I think ELL ought to have had concerns about Mr J's ability to go on and consolidate debt and reduce his outgoings.

But I can see that even if it added the amount back in that it had subtracted for debt consolidation, it would still have calculated that the loan repayments were affordable for Mr J. From its proportionate checks, I can see that Mr J would be able to afford the repayments in a sustainable way. So, on balance, I think, with all I have said above, it made a fair lending decision.

Loans 3-4

Mr J repaid loan 2 in January 2018. There was then a gap of around 7 months until Mr J came back and asked ELL for loan 3. I think although this was a reasonable amount of time for Mr J to not be indebted to ELL for, it ought to have considered what it had seen in Mr J's previous loan applications when he came back for a third time.

ELL again, asked Mr J for declarations about his income and accommodation costs. It verified his income by asking for a payslip. This time it used Office of National Statistics (ONS) data to approximate his living costs. It also asked for bank statements and carried out a credit search.

I again think ELL carried out proportionate checks here. But on this occasion, I don't think it made a fair lending decision and I will explain why.

ELL would have seen on Mr J's credit file that he had the same defaults recorded as he did when he applied for loan 2. The same 2 home lending accounts had a revised default date of July 2018. I can't be sure why this is the case, but I think it ought to have raised concerns again about Mr J's finances at that time.

In addition, a county court judgment is recorded for the first time with a court date given as June 2018. This judgment was granted only 2 months before the application for loan 3. I think, on balance when I consider all that I have said about the defaults recorded against Mr J's name, and also previous failed debt consolidation and now this CCJ, ELL should have declined Mr J's application for Loan 3. I think it ought to have seen from all this that Mr J was having problems managing his finances and most likely would not be able to repay the loan in a sustainable way.

Mr J refinanced Loan 3 and asked for Loan 4 only 6 months later. His finances had not improved, and another debt consolidation had failed. His credit file showed the same defaults and CCJ. So, it follows that I currently don't think ELL should have given Loan 4 either for the same reasons as I think it shouldn't have given Loan 3.

In conclusion, I think the checks ELL carried out for loans 1 and 2 were proportionate and on balance it made fair lending decisions. For loans 3-4 I think ELL didn't make a fair lending decision. It would have seen from the information that it had gathered that Mr J was having problems managing his finances. So, I don't think it should have given him these 2 loans.

I currently uphold Mr J's complaint about loans 3-4. ELL now needs to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr J responded and said he was happy with the provisional decision. He also said he had nothing further to add. ELL responded and said it agreed with 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.

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 J's complaint.

Putting things right

I think it is fair and reasonable for Mr J to repay the principal amount that he borrowed for loans 3 and 4, because he has had the benefit of that lending. But he has been indebted with interest and charges on loans 3 and 4 that shouldn't have been provided to him.

ELL should:

- Remove all interest, fees and charges on loans 3 and 4 and treat all the payments Mr J has made as payments towards the capital.
- If reworking Mr J'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 negative entries on Mr J's credit report relating to loan 3 and 4.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 5 July 2022.

Mark Richardson
Ombudsman