

## The complaint

Miss D complained that Everyday Lending Limited (trading as Everyday Loans) lent to her irresponsibly and provided her with a loan that was unaffordable.

## What happened

Everyday Loans provided a loan to Miss D as follows:

Date taken	Amount	Term	Monthly repayment	Total repayable	Loan status
June 2018	£1,000	18 months	£118.04	£2,124.72	Believed to be outstanding

One of our adjudicators looked into the complaint. He didn't think Everyday Loans had done anything wrong when it provided Miss D with the loan.

Through her representative, Miss D disputed the adjudicator's assessment and asked for a final decision by an ombudsman. The complaint came to me to decide. I issued a provisional decision.

## What I said in my provisional decision

Here are some of the main things I said.

*"There are some general principles I will keep in mind and questions I need to think about when deciding Miss D's complaint. Before agreeing to lend, lenders must work out if a borrower can afford the loan repayments alongside other reasonable expenses the borrower also has to pay.*

*This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation. And it's important to keep in mind that when working out if a loan looks likely to be affordable a lender must take a 'borrower focussed' approach and think carefully about the impact of the lending on the customer. The lending decision shouldn't just be about the business risk to the lender of not getting its money back.*

*A lender must take reasonable steps to satisfy itself that the borrower can sustainably repay the loan – in other words, without needing to borrow elsewhere. The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out.*

*For example, when thinking about what a borrower has left to spend on a new loan after paying other expenses, as well as taking into account the loan amount, the cost of the repayments and how long the loan is for, a proportionate check might mean a lender should also find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.*

*In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:*

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income)*
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income)*
- the longer the period of time a borrower will be indebted (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).*

*I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss D's complaint.*

*Everyday Loans gathered information from Miss D by asking her about her income and expenses before it agreed to lend to her and looking at some of her recent bank statements. It checked Miss D's credit file to understand her existing monthly credit commitments and credit history. It also relied on statistical information to compare Miss D's income and expenditure against national data showing typical spending for someone in the same situation and boosted this to include a 'buffer' to allow a safety margin in the event of variation in income and expenditure. Everyday Loans said that based on these checks it was satisfied that the loan was affordable for Miss D.*

*But, whilst I've thought carefully about what Everyday Loans has said, I don't think that Everyday Loans made a fair lending decision when it provided this loan.*

*I don't think Everyday Loans properly took into account what Miss D's credit history and the information it saw in the bank statements revealed about her overall financial situation.*

*It isn't unusual for applicants for this type of high cost loan to have a credit history showing other borrowing or an impaired credit record – and these things wouldn't necessarily be reasons to prompt a responsible lender to decline a loan application.*

*But I think Everyday Loans could've seen from the credit report it obtained that within the last couple of months Miss D had taken out a loan for £1,000 with another provider of expensive credit as well as two new credit cards – which she had quickly run up credit on. It was apparent from her bank statements that she was often overdrawn despite the funds in her account being boosted by the £1,000 loan paid in at the end of April and she frequently incurred daily overdraft fees. This was worrying information, especially bearing in mind that Miss D had been in her job for a number of years and she was living with her parents and paying no rent.*

*I've taken into account that after reviewing all the information it had gathered, Everyday Loans was only prepared to lend Miss D half the amount she had applied for. But this doesn't mean that the loan it did agree was fairly provided.*

*Despite what Everyday Loans' income and expenditure assessment suggested it was clear I think from the other information it had gathered that in actuality Miss D had no spare income at all. I think the information Everyday Loans gathered overall painted a picture of someone struggling to manage money problems effectively and it included clear warning signs that Miss D was already experiencing serious financial difficulty – so it should've realised that further lending was unlikely to be sustainably affordable for her.*

*I think this is borne out also by the fact that when Everyday Loans carried out credit checks it noted Miss D's existing creditor repayments were at least £467 on the figures it recorded. Everyday Loans should have realised that Miss D was already paying around 45% of her take home pay just on servicing her existing debt. To me, that was a clear warning sign that she was over-reliant on credit. With the monthly repayments for her new loan on top of this, Miss D would now have to pay well over half her net salary towards debt repayment. Given the loan term, and the evidence that she was already struggling financially, I think that this was such a significant proportion of Miss D's monthly disposable income Everyday Loans couldn't reasonably say it was likely that Miss D would be able to repay the loan in a sustainable way. All the signs were that Miss D was over-stretched financially and unable to effectively manage debt she was already responsible for paying – and this loan would mean paying an even bigger proportion of her income towards servicing her debt.*

*I've taken into account that Everyday Loans understood that the loan would be used for debt consolidation – in other words, Miss D said she wanted to use the loan to repay other debt.*

*But Everyday Loans didn't have control over how Miss D used the loan as it paid the loan balance to her.*

*And even if Miss D had used this loan to repay some existing debt, I don't think Everyday Loans had sufficient reason to think this would've improved her overall position sufficiently to achieve a significant and sustainable improvement in her financial situation.*

*I think the scale of her overall debt compared to the much lesser value of the loan and the extent of her evident reliance on taking out expensive credit would suggest that she would remain in serious financial trouble regardless. Also, as mentioned above, it was in any event unrealistic to expect her to be able to commit to paying such a significant level of income towards debt repayments over the 18 month loan term.*

*So I don't think it was fair and reasonable for Everyday Loans to lend even this reduced loan amount to Miss D, in the face of clear evidence that Miss D's debt wasn't sustainably affordable.*

*So, for all these reasons, I plan to say that I uphold Miss D's complaint that she should not have been given the loans and that Everyday Loans needs to take the following steps to put things right."*

### **What the parties said in response to my provisional decision**

Miss D hasn't commented on my provisional decision.

Everyday Loans has confirmed it agrees my 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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint.

I'd like to thank both parties for all the information that has been provided about this matter and Everyday Loans in particular for reconsidering its position and responding to confirm its agreement with my provisional decision.

In the circumstances, I confirm the conclusions I reached in my provisional decision.

### **Putting things right**

I haven't seen enough to make me think that Everyday Loans acted towards Miss D in any other way that wasn't fair and reasonable. So I'm not awarding any additional redress.

I think it is fair and reasonable for Miss D to repay the capital amount that she borrowed, because she had the benefit of that lending. But she has paid extra for lending that should not have been provided to her. In line with this Service's approach, Miss D shouldn't repay more than the capital amount she borrowed.

If Everyday Loans has sold any outstanding debt, it should try to buy this back if able to do so and then take the following steps. Otherwise, Everyday Loans should liaise with the new debt owner to achieve the results outlined below and do the following:

- add up the total amount of money Miss D received as a result of having been given the loan. The repayments Miss D made should be deducted from this amount.
- If this results in Miss D 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/suitable payment plan with Miss D keeping in mind its obligation always to treat her positively and sympathetically in those discussions. Everyday Loans should not seek to recover from Miss D any principal amount already written off.
- Remove any negative information recorded on Miss D's credit file regarding the loan.

\*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. Everyday Loans should give Miss D a certificate showing how much tax has been deducted if she asks for one.

### **My final decision**

I uphold this complaint and direct Everyday Lending Limited (trading as Everyday Loans) to take the steps I've set out above to put things right for Miss D.

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

Susan Webb  
**Ombudsman**