

## **The complaint**

Mr S complains that Everyday Lending Limited, trading as Everyday Loans, lent to him irresponsibly and without carrying out proper affordability checks. He would like all the fees and charges associated with the loan refunded, and the default removed from his credit file.

I've included relevant sections of my provisional decision from May 2022, which form part of this final decision. In my provisional decision I set out the reasons why I was planning to uphold this complaint. In brief that was because I thought the checks that Everyday Loans carried out should have made it clear that this borrowing was not affordable and sustainable for Mr S.

I asked both Mr S and Everyday Lending to let me have any more information they wanted me to consider. Both parties have confirmed that they accept the findings in my provisional decision.

## **What happened**

Your text here

## **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.

Having done so, I am upholding it, and I'll reiterate why, but first I've included the relevant sections from my provisional decision:

### **“What happened**

In April 2019 Everyday Loans approved a loan of £3,000 for Mr S, which was scheduled to be repaid at approximately £272 per month over a term of 24 months. The purpose of the loan is not clear, although a small part of it was to settle a previous loan with Everyday Lending. When assessing the application, Everyday Loans asked Mr S about his financial circumstances and carried out a range of checks before approving the lending.

Unfortunately, it seems that Mr S immediately ran into difficulties repaying this loan, a default has been recorded, and a balance remains.

The adjudicator looked at the evidence and thought Everyday Loans hadn't done anything wrong in approving the loan. Mr S disagreed and asked an ombudsman to look at his complaint.

### **What I've provisionally 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.

Having done so, I'm currently planning to uphold it, and I'll explain why.

Everyday Loans is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr S would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

*"...without...incurring financial difficulties or experiencing significant adverse consequences"*

Essentially, he needed to be able to meet his financial commitments and not have to borrow elsewhere to repay Everyday Loans for the loan to be considered affordable and sustainable.

There are two questions I need to consider when deciding this case, which I will deal with separately below.

*Did Everyday Loans carry out proportionate checks before granting this loan?*

In short, yes I am satisfied it did. It reviewed a range of bank statements, both personal, and linked to Mr S's business. It carried out a credit check, and sought information about his income as a self-employed person.

*Was Everyday Loans right to conclude that the lending was affordable and sustainable for Mr S?*

In short, the available evidence does not support that conclusion. I'll summarise the key issues.

Mr S was self-employed at the time. It isn't clear his exact involvement with a few businesses mentioned, but Everyday Loans gathered statements from at least one business account. However, as this was a personal loan, it says it wouldn't have relied on them, only on the statements from Mr S's personal account. This is what I would expect. So I have also not accorded much significance to the business account statements.

Mr S provided Everyday Loans with a letter from his accountant, one line long, stating his income between March 2018 and March 2019. Everyday Loans clearly relied entirely on that letter when calculating the affordability of the loan for Mr S. And I accept that it was entitled to place some weight on it and factor it into its assessment. But a responsible lender would not ignore all the other information in front of it. Whilst the accountant's letter suggested a healthy annual income, all the other available evidence pointed to clear financial difficulties, as follows:

- Mr S's personal bank statements show an extremely low income over the two months they cover. Everyday Loans assessment was founded upon Mr S having a monthly income of £3,600. Whereas the bank statements showed it to be just over £500. That is about 15% of the figure Everyday Loans chose to work with. And, in fact, in one month that was almost only the result of a tax rebate. So, regardless of the accountant's letter, the bank statements Everyday Loans scrutinised in no way support the income used in the assessment.
- Mr S was frequently over his agreed overdraft limit and Everyday Loans highlighted a series of returned direct debits. However, it doesn't appear that it considered these to be a clear and important indicator of serious problems.
- The credit check it ran showed that Mr S was also over his agreed credit card limit.
- Whilst Everyday Loans has been clear that it would not have used the business bank account statements on file, I will also mention that those show an ongoing substantial overdraft, far higher than the amount Mr S was borrowing, notwithstanding frequent receipts into the account.

A letter stating a healthy annual income for Mr S does not in itself automatically mean a loan is affordable and sustainable. In the round, the evidence gathered by Everyday Loans showed a person in significant trouble, heavily indebted, and with apparently little income in recent months. The income and expenditure assessment (I&E) carried out by Everyday Loans bears no relation to the reality of Mr S's situation as shown by everything except the accountant's letter.

I cannot see how Everyday Loans concluded that this loan would be affordable and sustainable for Mr S. So it follows that I plan to uphold this complaint."

As both parties have accepted my provisional findings, I have no reason to change any of them, and I uphold this complaint.

### **Putting things right**

I set out in my provisional decision that my understanding was that the outstanding balance on this loan is still owned by Everyday Loans, and has not been sold to a third party. Neither party has said anything different, so I direct Everyday Loans to do the following:

A) Everyday Loans must remove all interest, fees and charges from the balance on the outstanding loan, and treat any repayments made by Mr S as though they had been repayments of the principal on the outstanding loan.

B) If this results in Mr S having made overpayments then it must refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the payments were made, to the date the complaint is settled.

C) If there is still an outstanding balance following the actions set out in "A", then Everyday Loans should agree a suitable repayment plan with Mr S. I remind it of its obligation to treat him fairly in so doing.

D) It must remove any adverse information recorded on Mr S's credit file in relation to this loan, once it has been repaid.

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

### **My final decision**

For the reasons I've explained here and in my provisional decision, I uphold this complaint and direct Everyday Lending Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 July 2022.

Siobhan McBride

**Ombudsman**