

The complaint

Mr K complains Everyday Lending Limited trading as Everyday Loans irresponsibly lent to him on multiple occasions.

What happened

Mr K was approved for five loans by Everyday Loans between 2010 and 2015. Everyday Loans has agreed to settle two of the five loans. The outstanding loans which are in dispute are summarised below:

| Loan number | Date | Capital amount | Term | Monthly repayment (approx.) |
|-------------|---------------|----------------|-----------|-----------------------------|
| One | May 2010 | £2,000 | 18 months | £195 |
| Three | November 2012 | £3,770 | 36 months | £260 |
| Four | October 2013 | £4,780.50 | 36 months | £290 |

Mr K says he was experiencing financial hardship throughout the whole duration of his lending relationship with Everyday Loans. He says he was on a low income and was experiencing issues with gambling.

In defending the above loans Everyday Loans says it lent responsibly. It says it completed reasonable and proportionate checks on Mr K each time it lent. It says these checks showed Mr K had sufficient income to meet the repayments at each point.

Our investigator recommended all of the above loans be upheld. He argued Everyday Loans had not completed reasonable and proportionate checks in relation to loan one. In relation to loans three and four, our investigator felt Everyday Loans ought to have realised it was increasing Mr K's indebtedness in a harmful way. He also highlighted that loan two had been proactively upheld by Everyday Loans because there was evidence of Mr K's gambling.

As no agreement could be reached the matter has been passed to me to issue a final decision on.

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 complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. And I've used this approach to help me decide Mr K's complaint.

Loan one

The rules and regulations at the time of this loan required Everyday Loans to ensure it was lending to Mr K sustainably and that the checks it completed were proportionate. Everyday Loans says it did this. It says it completed an income and expenditure assessment (using a 35% figure of Mr K's income to cover expenses) on Mr K; and searched his credit file. Mr K's income was also verified using payslips and looking at bank statements. It says these checks were proportionate to the amount being borrowed; as it covered Mr K's main expenses and highlighted any risks his credit file may've included. It says these checks showed the loan was affordable to Mr K and as such its decision to lend was fair.

I've carefully considered Everyday Loans' argument in relation to loan one but ultimately, I disagree it lent responsibly in this instance. Everyday Loans has highlighted the checks it completed; and says these were proportionate and showed Mr K could afford the loan. Whilst Everyday Loans may've completed proportionate checks (including the checking of Mr K's employment), it was also required to carefully consider the information it was provided with and ensure any lending it made it was sustainable.

Looking through Mr K's credit file from the time of the application there are signs of potential hardship. In particular I note that Mr K was exceeding his credit card limits and had taken out a number of high cost credit products to help support his income. Further, when looking at Mr K's bank statements there are indications that his outgoings were higher than the 35% figure Everyday Loans had used. I note that his statements show he was overdrawn at stages prior to the lending decision by Everyday Loans. 'Sustainable' repayments at that time meant Everyday Loans needed to ensure Mr K could meet any repayments without undue difficulty and without having to borrow further.

These statements also show Mr K was using a number of payday providers to supplement his income, and that his financial status was likely deteriorating at that stage. These statements show Mr K was likely managing to a negative budget, and as such I don't agree that further lending of around £195 per month would've been sustainable to Mr K at this time.

And so, on this basis I'm satisfied Everyday Loans' decision to lend was unfair.

Loans three and four

Everyday Loans says its decision to lend loans three and four was responsible because its checks suggested Mr K had enough disposable income. It says it upheld loan two as there was evidence of gambling on Mr K's statements, but this was not present on its checks for loans three and four.

Having reviewed all of the information we have on file I'm satisfied loans three and four should not have been lent either.

Everyday Loans is aware any decision it makes must be fair and ensure that it is not increasing an applicant's overall indebtedness in an unsustainable or otherwise harmful way. Having reviewed Mr K's file, I'm satisfied this is the case here.

Between loan one and loan three Mr K's overall level of borrowing had increased by almost double (from £2,000 to £3,770). His overall level of debt had also increased during this period, including having taken out more credit products such as credit and mail order cards. The bank statements which were provided at the time also show Mr K's financial position had not improved since loan one. The statements show he is heavily reliant on his overdraft operating at close to its £2,500 limit frequently leading up to the application for the loan. There is also evidence Mr K is still using high cost credit providers to help supplement his

income. Mr K's credit file also suggested he was struggling to meet his credit card commitments with recent arrears having occurred.

The same can be said for loan four. Between loans three and four Mr K's overall level of debt had increased, with Mr K continuing to use new forms of credit including credit cards and unsecured loans. There are suggestions that Mr K has had issues managing these commitments with arrears occurring. The statements collected show that one of Mr K's bank accounts remains heavily reliant on his overdraft (and is still operating around its limit of £2,500). Mr K is again borrowing an increased amount of money from loan three (this time an additional £1,000).

So, the evidence seems to suggest that Mr K's debts weren't decreasing, and instead by lending further Everyday Loans was contributing further to Mr K's overall level of indebtedness. It also suggested that Mr K was still relying on other forms of credit to support his income. So, I'm persuaded Everyday Loans should've reasonably considered if this lending would result in Mr K having to borrow again. And the evidence suggests this was likely the case.

I've already explained why I'm satisfied loan one shouldn't have been lent, and Everyday Loans agrees loan two was also unaffordable (it also upheld Mr K's fifth loan), but this continuing pattern of increased borrowing should've caused Everyday Loans concern. The checks it completed should've demonstrated that Mr K's position was not improving between loans and suggested that he was in an unsustainable pattern of borrowing. Mr K's circumstances had not change significantly between each application, so it follows that any increases were likely unsustainable to Mr K, and as such shouldn't have been approved.

Putting things right

To settle Mr K's complaint Everyday Loans needs to do the following:

- To add up the total amount of money Mr K received as a result of having been given all of these loans. The repayments Mr K made should be deducted from this amount.
 - a) If this results in Mr K having paid more than he 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). †
 - b) If any capital balance remains outstanding, then Everyday Loans should attempt to arrange an affordable/suitable payment plan with Mr K.
- To remove any negative information recorded on Mr K's credit file in relation to these loans.

† HM Revenue & Customs requires Everyday Lending Limited trading as Everyday Loans to take off tax from this interest. It must give Mr K a certificate showing how much tax it's taken off if he asks for one

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 May 2021.

Tom Whittington
Ombudsman