

The complaint

Miss T complains that Everyday Lending Limited (“Everyday Loans”) lent her a loan she couldn’t afford.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them all again here.

Everyday Loans lent Miss T a loan of £3000 in July 2020, this is not in dispute, so I’ll focus on giving the reasons for my decision about this loan.

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.

The investigator concluded Everyday Loans did not carry out proportionate checks and if it had done so it would have seen that Miss T couldn’t afford the loan. I agree with the investigator’s findings for the same reasons. These are:

- Everyday Loans says it carried out proportionate checks before agreeing to lend to Miss T. It says it asked her about her income and expenditure and conducted a credit search. It also used Office of National Statistics (ONS) data to estimate her living costs.
- The loan was due to be repaid over 24 monthly instalments of around £219 and Miss T asked for the loan for debt consolidation. When I look at Everyday Loans calculations, I can see that, on the surface of it, it had worked out that Miss T would have enough disposable income to afford the loan repayments. But the information that it gathered showed it that Miss T had taken out a significant amount of credit already, something that I think ought to have given Everyday Loans concerns. Miss T had according to Everyday Loans assessment £797.91 a month to repay in credit commitments. This was a high amount when I consider it had recorded down that Miss T had a monthly income of around £1132. Everyday Loans calculated that the amount Miss T would be repaying after consolidation would reduce down to around £415. But I think this is still a significant proportion of Miss T’s income each month. I think due to the size of the loan and the length of the term, it ought to have been concerned about what it saw and what it was being told, at least enough that it should’ve prompted it to want to find out more.
- Everyday Loans should have done more to ensure that Miss T could repay the loan repayments over the length of the loan term. This I think, should have included a complete review of her finances including breaking down and verifying her expenditure. As a responsible lender it ought to have done this once it had carried out its initial checks and seen the results from what it had gathered. I can’t see that it did this or verify any of Miss T’s expenditure and so I don’t think its checks went far

enough. So, as I don't think it did enough, I need to consider what it would have seen if it had carried out proper checks.

- Miss T has provided copies of his bank statements from around 3 months before and then leading up to the start of the loan. I've relied on this to give me an indication as to what Everyday Loans would have seen, as I think her bank statements provide a clear picture about her actual financial circumstances at the time. I agree with our investigator, I think Miss T had a lot more expenditure than Everyday Loans had assessed her to have and I don't think the loan was affordable for her, based on what her bank statements have shown me. Her average expenditure was around £1885 a month with credit repayments of around £700. Even with a debt consolidation, Miss T would still have, based on the bank statements she submitted to us, not been able to afford the loan repayments in a sustainable way. So, when I consider this all together, I think if Everyday Loans had carried out further checks it would have seen that Miss T was having problems managing her finances and that the loan repayments were not affordable and not sustainable over the 2-year loan term.
- So, it follows that I uphold Miss T's complaint. Everyday Loans now needs to put things right.

Putting things right

While I think Everyday Loans shouldn't have lent to Miss T, I think it will be fair for her to repay the capital of £3000 which he borrowed. So, to put things right, Everyday Loans should:

- add up all the payments made by Miss T, if it exceeds the capital amount of £3000, then the overpayments plus 8% simple interest* should be paid to Miss T, remove any adverse information recorded on Miss T's credit file as a result of this loan.
- If there is a balance outstanding, Everyday Loans should treat Miss T fairly and look to arrange a payment plan that is affordable for her.

*HM Revenue & Customs requires Everyday Loans to deduct tax from the interest payment referred to above. Everyday Loans must give Miss T a certificate showing how much tax it's deducted if she asks it for one.

My final decision

My final decision is that this complaint should be upheld 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 Miss T to accept or reject my decision before 26 March 2022.

Mark Richardson
Ombudsman