

The complaint

Mr M complains that Everyday Lending Limited (trading as Everyday Loans) granted him a loan that was unaffordable for him.

What happened

In June 2017, Mr M took out a loan for £3,000 with Everyday Lending. The loan was to be repaid over 36 months with the repayments set at £180.46 a month.

Mr M later complained that Everyday Lending lent to him irresponsibly because the loan was unaffordable for him. Everyday Lending said it had completed affordability checks which it believed were reasonable and proportionate. These showed the loan was sustainable as Mr M had disposable income.

Mr M remained unhappy, so he brought his complaint to our service. He said he'd told Everyday Lending the wage slip he presented when the loan was agreed wasn't a true reflection of his monthly salary as he'd been doing a lot of overtime.

I issued a provisional decision on 20 August 2021 where I explained why I intended to uphold Mr M's complaint. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Based on what I've seen so far, I intend to uphold Mr M's complaint. I'll explain why.

The relevant rules, regulations and guidance required Everyday Lending to carry out reasonable and proportionate checks to ensure Mr M could afford to repay the loan in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Everyday Lending to think only about the likelihood of getting its money back. It also had to ensure that making the repayments wouldn't cause Mr M undue difficulty or have adverse consequences for him.

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

Everyday Lending gathered information from Mr M before the loan was agreed. It asked for information about his employment and housing costs. It verified Mr M's income from bank statements. It also checked his credit file.

In its affordability calculation Everyday Lending used a figure of £3,201.31 for Mr M's salary, which his bank statements show is the amount he received in April 2017. As our investigator has pointed out, the statements show Mr M received a lower amount from his employer in March 2017 (£2,721.77).

Everyday Lending says Mr M told it that he was paying £312 a month towards his mortgage. It calculated Mr M's existing creditor repayments to be £837.79. And it used a figure of £1,000 for Mr M's other living expenses. It says it arrived at this figure by using 35% of Mr M's net income with a minimum of £500 and a maximum of £1,000. It says this was widely regarded as the national average.

Everyday Lending calculated that Mr M had a monthly disposable income of £871.06 after taking into account his consolidated loans and monthly repayments for the Everyday Lending loan. The disposable income would have worked out to be £391.52 if Everyday Lending had used the lowest salary showing on the bank statements.

I think the checks Everyday Lending carried out were proportionate. But it also needed to properly consider the information it obtained from the checks to ensure it was making a fair lending decision.

The bank statements Everyday Lending were provided with at the time of Mr M's application show he was spending more than his salary on gambling transactions. He spent well over £11,000 on gambling across the three months the statements cover. I can see that Mr M received around £10,000 from the companies he'd placed bets with during the same timeframe. But there was no guarantee that he would continue to win. Given Mr M's pattern of spending, I think Everyday Lending ought to have concluded that there was a significant risk that Mr M would struggle to repay the loan sustainably and that it was not appropriate to lend to him.

Having considered everything I've seen so far, I don't think Everyday Lending acted responsibly when it granted Mr M the loan."

I set out what I intended to direct Everyday Lending to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Mr M said he believed my findings were fair and reasonable and he was happy with my provisional decision. Everyday Lending also said it accepted 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.

As both parties have agreed with the conclusions I reached in my provisional decision, I see no reason to change them.

Putting things right

I think it's fair and reasonable for Mr M to repay the principal amount that he borrowed because he's had the benefit of that lending. But he has paid interest and charges on a loan that shouldn't have been provided to him. So, Everyday Lending should:

- Remove all interest and charges from the loan and treat all the payments Mr M made as payment towards the capital.
- If reworking Mr M's loan account results in him having effectively made payments above the original capital borrowed, then Everyday Lending should refund these

overpayments with 8% simple interest on the overpayments from the date they would have arisen to the date of settlement*

- If reworking Mr M's loan account leaves an amount of capital still to be paid, then Everyday Lending should take a sympathetic view when seeking to agree an affordable repayment plan with Mr M for the revised balance.
- Remove any adverse information recorded on Mr M's credit file in relation to the loan.

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

My final decision

For the reasons I've explained, I uphold Mr M's complaint and direct Everyday Lending Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 October 2021.

Anne Muscroft
Ombudsman