

## **The complaint**

Mr A says Everyday Lending Limited (trading as Everyday Loans) irresponsibly lent to him.

## **What happened**

In July 2018 Everyday Loans gave Mr A a loan of £3,210 to be repaid over 36 months. The monthly repayment was £224.80 and the total cost of the loan was £8,092.80 (if it ran to full term).

The main purpose of the loan was for Mr A to consolidate existing debt. Mr A repaid a credit card which had a balance outstanding of £702. He also paid £1,000 onto a credit card and a catalogue shopping account, reducing the amounts owed on these accounts. This left a balance of £508 paid directly to Mr A.

Mr A, together with his representatives, complain that the loan was unaffordable for Mr A and as such shouldn't have been lent. They say at the time of the loan Mr A had substantial debt outstanding and Everyday Loans should have realised he was struggling and overcommitted financially.

In response to the complaint Everyday Loans disagreed it lent irresponsibly. It says that Mr A provided copies of bank statements showing his income was £1,800 per month. In addition, it reviewed a payslip, carried out a job check and conducted a credit search. Everyday Loans says it also used ONS data to estimate his living expenses and added a buffer for limited changes in circumstances. Based on its calculations, Everyday Loans concluded Mr A had £453.72 disposable income, after his monthly loan repayment was considered. So it disagrees the loan was unaffordable for Mr A.

Unhappy with Everyday Loans' response, Mr A referred his complaint to our service. One of our investigators considered the complaint and upheld it. He disagreed Mr A would have enough disposable income after considering his regular expenditure, including his monthly credit commitments. He also felt that it wasn't reasonable for Everyday Loans to rely on ONS data when it had a copy of Mr A's recent bank statements showing his monthly expenditure was higher than this. So he didn't agree Mr A could have afforded to repay this loan.

Everyday Loans disagreed with the outcome reached by the investigator and asked for an ombudsman to consider the complaint. So the complaint has been passed to me to consider.

## **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.

Everyday Loans needed to take reasonable steps to ensure that it lent responsibly. In practice this means that it should have carried out proportionate checks to make sure Mr A could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure etc.

I've considered the information that Everyday Loans gathered as a result of the checks it completed (detailed above), and I think that it had sufficient information to demonstrate that Mr A couldn't afford to repay this loan. Everyday Loans relied on ONS calculations for Mr A's regular expenditure, however it had a copy of a bank statement from Mr A. Like the investigator, I also don't think it was reasonable to rely on estimates when Everyday Loans had details of Mr A's actual expenditure. Having looked at Mr A's bank statements, I think it's clear that Mr A was struggling to manage his money and wouldn't be able to sustainably repay this loan.

Mr A's bank statement shows he was consistently overdrawn only briefly going into a positive balance after he had been paid. He was therefore paying daily overdraft fees throughout the majority of the month. In addition, the repayments on his existing credit accounts were more than half of his net monthly income before even considering his other regular expenditure. I accept that a small amount of his regular credit commitments were consolidated into this loan, however I still don't think Mr A had sufficient means to repay this loan.

The results of the credit searches also show Mr A had a number of high balances on these accounts. In total Mr A had outstanding debt of over £12,000 on credit card, loan and catalogue shopping accounts. In addition to this, Mr A had a hire purchase loan where he was committed to monthly repayments of £461. I think this, together with what Everyday Loans could see from Mr A's bank statements, should have suggested to Everyday Loans that Mr A was having trouble managing his finances.

I've considered that Mr A was consolidating some of his existing debt and by taking out this loan he repaid an existing loan of £702. He also paid £1,000 towards a credit card balance and another £1,000 to a catalogue shopping account balance, however this still left him with substantial balances outstanding on these accounts. On the credit card account his balance was up to the limit of £3,000 and so was reduced to £2,000 after the loan. The catalogue shopping account had a balance of £3,974 (which had exceeded the agreed limit of £3,500) and the balance therefore became £2,974. So whilst I accept that the loan in question enabled Mr A to move back into his agreed limit on his catalogue shopping account, I can't see that overall it had much benefit to his financial position. Particularly when £500 was advanced directly to Mr A (rather than being applied to existing debt in the same way as the rest of the loan) and the total cost of the loan which Mr A needed to repay was over £8,000.

So for the reasons explained above, I think it's clear from the information Everyday Loans had available that Mr A was already overindebted and couldn't have sustainably afforded to repay this loan. So I don't think Everyday Loans should have agreed his loan.

### **Putting things right**

When I find that a business has done something wrong, I'd normally direct it – as far as it's reasonably practicable – to put the complainant in the position they *would be in now* if the mistakes it made hadn't happened.

In this case, that would mean putting Mr A in the position he would now be in if he hadn't been given the loan in question.

However, this isn't straightforward when the complaint is about unaffordable lending. Mr A was given the loan which has since been used and, in these circumstances, I can't undo what's already been done. So, it isn't possible to put Mr A back in the position he would be in if he hadn't been given the loan in the first place. But equally I don't think it appropriate for Everyday Loans to benefit from an unfair lending decision.

Bearing this in mind, Everyday Loans needs to do the following:

1. Refund all the interest, fees and charges Mr A paid towards the loan.
2. If the borrowing is still in place, reduce any outstanding capital balance by the amount calculated at step 1.
3. If, after Step 2, any outstanding capital balance remains, ensure that it isn't subject to any historic or future interest and/or charges. And arrange an affordable repayment plan with Mr A. But if Step 2 leads to a positive balance, the amount in question should be given back to Mr A and 8% simple interest should be added to the surplus†.
4. Remove any adverse information recorded on Mr A's credit file as a result of the interest and charges on this loan.

† HM Revenue & Customs requires the business to take off tax from this interest. The business must give the consumer a certificate showing how much tax it's taken off if they ask for one.

### **My final decision**

I uphold this complaint and direct Everyday Lending Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 June 2022.



Claire Lisle  
**Ombudsman**