

The complaint

Mr S complains that Everyday Lending Limited (trading as “Trust Two”) lent him a loan he couldn’t afford.

What happened

Mr S took out another loan on [REDACTED] 2019 with Everyday Lending Limited, but this is being looked at under reference number [REDACTED]. I am looking into whether it fairly provided the loan Mr S took out on [REDACTED] 2019.

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

Trust Two lent Mr S a loan of £3000 on [REDACTED] 2019, 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

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The investigator concluded Trust Two did not carry out proportionate checks and if it had done so it would have seen that Mr S couldn’t afford the loan. I agree with the investigator’s findings for these reasons:

- o Trust Two says it carried out proportionate checks before agreeing to lend to Mr S. It says it asked him about his income and expenditure, verified his income as well as conduct a credit search. It recorded down that Mr S’s income was £2750 a month and that his rent was £695. It used a figure of £962.50 for his living expenses and after working out what it felt Mr S was paying each month for credit commitments it calculated he had around £850 in disposable income.
- o The loan was due to be repaid over 36 monthly instalments of around £146 and Mr S asked for the loan for debt consolidation. When I look at the Trust Two calculations, I can see that, on the surface of it, it had worked out that Mr S would have enough disposable income to afford the loan repayments. But the credit search results that it had in front of it showed information that I think ought to have given Trust Two concerns. There were two credit cards that Mr S had spent over the credit limit on. And as our investigator had concluded, Mr S had taken out and then repaid several payday loans. Mr S also told Trust Two that he was going to repay payday loans with the proceeds of the loans, but these open short-term loans were not showing on the credit search. 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.

- Trust Two should have done more to ensure that Mr S could repay the loan repayments over the length of the loan term. This I think, should have included a complete review of his finances including breaking down and verifying his expenditure. As a responsible lender it ought to have done this once it had carried out its initial checks and seen the results from its credit check. I can't see that it did this or verify any of Mr S'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.
- Mr S has provided copies of his bank statements from around 2 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 Trust Two would have seen, as I think his bank statements provide a clear picture about his actual financial circumstances at the time. I agree with our investigator, I think Mr S had more expenditure than Trust Two had assessed him to have and I don't think the loan was affordable for him, based on what his bank statements have shown me. He was also gambling heavily and frequently. There were also clear signs that he was using pay day loans to make up the shortfall in his finances that his additional expenditure had created. I can see that Mr S took out 10 new loans in the 2 months that the bank statements covered for a total of £11,600. This was predominantly from short term loans. Mr S also had unauthorised overdraft fees and charges on his account. It is clear from looking at the statements that Mr S had become reliant on short term loans to make ends meet and fill a shortfall in his finances. When I consider this all together, I think if Trust Two had carried out further checks it would have seen that Mr S was having problems managing his finances and that the loan repayments were not affordable and not sustainable over the 3-year loan term.
- So, it follows that I uphold Mr S's complaint. Trust Two now needs to put things right.

Putting things right

While I think Trust Two shouldn't have lent to Mr S, I think it will be fair for him to repay the capital of £3,000 which he borrowed. So, to put things right, Trust Two should:

- add up all the payments made by Mr S, if it exceeds the capital amount of £3,000, then the overpayments plus 8% simple interest* should be paid to Mr S, remove any adverse information recorded on Mr S' credit file as a result of this loan.
- If there is a balance outstanding, Trust Two should treat Mr S fairly and look to arrange a payment plan that is affordable for him.

*HM Revenue & Customs requires Trust Two to deduct tax from the interest payment referred to above. Trust Two must give Mr S a certificate showing how much tax it's deducted if he 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 Mr S to accept or reject my decision before 13 March 2022.

Mark Richardson
Ombudsman