

The complaint

Miss M complains that Everyday Lending Limited trading as Everyday Loans provided her with loans that she was unable to afford to repay.

What happened

Miss M took out the following loans from Everyday Loans:

Reference	Date taken out	Amount	Term - months	Monthly repayment	Amount to be repaid	Date repaid
1101216338 (loan one)	09/09/09	£3,000	60	£125.99	£7,559.40	16/08/13
1105030935 (loan two)	16/08/13	£3,000	48	£136.76	£6,564.48	02/05/17

Loan two was taken out in part to pay off the remaining balance of loan one. For both loans Everyday Loans carried out a credit check, and obtained recent bank statements and payslips to establish Miss M's ability to pay the loans. In respect of loan one, it said Miss M had a disposable income after accounting for the loan repayment of around £427 per month. For loan two it said she had a disposable income of around £160 per month. In both cases it said that the checks it had carried out established at the loans were affordable in both cases. It pointed out that she had made all the regular payments for both loans, and wasn't in default in respect of any of her loans/credit.

On review our adjudicator said that for loan one Everyday Loans should have made more checks, but as Miss M hadn't supplied information to show what any such further checks might have revealed, he determined that he couldn't uphold her complaint regarding this loan. For loan two he said it was clear, taking into account Miss M's substantial credit commitments that the loan repayments were unsustainable without Miss M having to continue borrowing. He said Everyday Loans should refund all interest and charges on the account.

Everyday Loans responded that there had been an error in the affordability calculation sheet it had sent in, the actual one showed that Miss M had a disposable income of around £160 per month rather than the £62 originally shown. It believed the loan to be affordable - Miss M hadn't defaulted on any payments.

Our adjudicator still thought the loan was unsustainable. The matter has been passed to me for further consideration.

I issued a provisional decision. In respect of *both* loans one and two I didn't think Everyday Loans had made a fair lending decision.

Neither party responded to 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.

My provisional findings were as follows:

“loan one

I've seen the bank statement Miss M supplied in respect of this loan application. From this it could be seen that she was running a substantial overdraft, which didn't appear to be reducing. She also had several credits from her employer on top of her normal salary, which might not have been regular. Even so, over the period covered by the bank statement Miss M was paying out more than she received. Miss M had a number of credit cards with balances on them, and in Everyday Loans' assessment of her credit commitments it allowed for only the minimum payment in respect of each credit card.

In light of the information in her bank statement, I think Miss M was likely to have been unable to afford the loan, noting that she continued to take on further credit commitments in the course of the loan, and had to take out a further loan out to pay it off. In my view as Everyday Loans' affordability calculation was so at odds with what was shown in the bank statement, it should have been on notice that Miss M was likely to struggle to repay the loan. I don't think it made a fair lending decision in respect of this loan.”

loan two

By the time Miss M applied for loan two, her credit commitments had increased substantially, according to Everyday Loans' calculations, by over £260 per month. However her income had remained roughly the same (a difference of £12 per month), so in real terms had decreased. She had taken on a substantial hire purchase loan and had borrowed substantial amounts on store credit since loan one. She still had several credit cards with balances on them. Her credit repayments - £651 out of an income of £1,482 amounted to some 44% of her income.

Everyday Loans says its disposable income calculation showed that Miss M had sufficient disposable income after accounting for the loan. However when considering whether the loan was sustainable we don't just look at the pounds and pence calculations. I've noted that over the course of the loan Miss M continued to borrow, taking out a number of payday loans. I think the information Everyday Loans obtained in its checks should have led it to make further checks to ensure the new loan didn't have adverse consequences for Miss M. Taking into account the substantial increase in Miss M's commitments against an income which had scarcely increased in four years, I don't think Everyday Loans carried out sufficient checks to assure itself that Miss M would be able to sustain payments on the loan without resorting to further borrowing. So I don't think it made a fair lending decision.”

As neither party has responded to my provisional findings, those findings are now final and form part of this final decision.

Putting things right

Everyday Loans should:

- refund all interest and charges Miss M paid on loan one (1101216338) and loan two (ref 1105030935)
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement. *
- remove any negative information about loans one and two from Miss M's credit file.

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

My final decision

I uphold the complaint and require Everyday Lending Limited trading as Everyday Loans to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 28 March 2022.

Ray Lawley
Ombudsman