

The complaint

Mr N complained that Everyday Lending Limited trading as Everyday Loans lent to him irresponsibly and provided lending that was unaffordable. He was also unhappy about the lack of support from Everyday Loans after he made the lender aware he was experiencing difficulty meeting the contractual monthly repayments.

What happened

Mr N took out a loan with Everyday Loans as follows:

Date taken	Amount	Term	Monthly repayment	Total amount repayable	Loan status
19/8/2019	£4,000	36 months	£262.74	£9,458.64	outstanding

One of our adjudicators looked at the complaint and didn't think Everyday Loans should have provided the loan. She mainly said that the lender's checks showed the repayment for this loan, alongside Mr N's existing monthly credit commitments, represented a significant proportion of Mr N's monthly income which wasn't likely to be sustainable for him over the loan term. She also set out in some detail her reasons for saying that Everyday Loans had over-stated Mr N's actual income as shown on his bank statements and not allowed for all his normal regular spending apparent on his bank statements – which Everyday Loans had seen during the loan application process.

Our adjudicator set out directions indicating what Everyday Loans should do to put things right.

Everyday Loans hasn't responded to our adjudicator's view other than by way of an acknowledgement to confirm it has received it. So, as the complaint hasn't been resolved, it comes to me for a 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. As we haven't heard back from Everyday Loans and the deadline for responses has passed, I think it's reasonable for me to proceed with my review of this complaint. I've looked at the complaint afresh and having thought about everything, I agree with our adjudicator and I'm upholding this complaint. Here's why I say this.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can

sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

Everyday Loans asked Mr N about his income and housing costs. It also did its own credit check to understand Mr N's credit history and see what he was paying for his existing credit commitments. It saw bank statements for two of his current accounts.

Everyday Loans recorded Mr N's average monthly income was around £1,652 based on an average pay figure it worked out from looking at payslip details plus additional benefits that it saw on his bank statements were paid into his account. Everyday Loans also relied on nationally available statistics when thinking about Mr N's likely expenditure and it included an extra 'buffer' to account for any change in circumstances or one-off additional expenses. After seeing his existing credit commitments, based on all this information, Everyday Loans said Mr N should've been able to afford the monthly repayment on this loan as he should still have had around £206 spare cash left each month *after* paying for this loan.

Like our adjudicator I think Everyday Loans' checks were broadly proportionate. But, despite its affordability calculation appearing to show that Mr N had enough disposable income each month to cover the loan monthly repayments, I think Everyday Loans should've realised this was contradicted by what it saw in the other information it had gathered.

Everyday Loans saw that Mr N was repaying three credit cards and it would've been aware that in order to make any meaningful inroads into repaying his credit card debt he'd need to make more than the minimum monthly repayments it seems to have allowed for – and the bank statements it saw showed Mr N appeared to be trying to do this by making payments over and above the minimum contractual amount. It was also apparent that the average expenditure figures it relied on didn't reflect the regular payments Mr N was, in reality, paying out of his bank accounts. As well as this, his average monthly income based on what his bank statements showed was around £160 less than the figure Everyday Loans relied on in its affordability calculations.

So I don't think Everyday Loans properly took into account what all the information it had gathered showed about Mr N's overall financial situation and the likelihood of him being able to pay its loan in a sustainable manner.

I've thought carefully about what I think a responsible lender should have made of all this information and in particular whether it was enough for Everyday Loans to make a fair decision to lend, particularly as it knew that Mr N intended to use most of the money to cover a large one-off expense – so it would be adding to his overall indebtedness.

I think our adjudicator was right to say that it should've been apparent that Mr N didn't have the amount of disposable income that Everyday Loans calculated. And bearing in mind the repayment of this loan on top of the debt Everyday Loans saw Mr N was already responsible for paying, I think it's fair to say that Mr N needed to pay a significant proportion of his

income towards credit - around a third by my reckoning. In my opinion, as a responsible lender, Everyday Loans should've realised that Mr N would likely struggle to repay this loan with this level of income committed just to repaying debt – especially bearing in mind the 36 month loan term.

So thinking about all the information Everyday Loans had gathered, I can't reasonably say that it made a fair lending decision based on the information in front of it. I don't think Everyday Loans was able to safely conclude that its loan would be sustainably affordable for Mr N. So it shouldn't have provided it and Everyday Loans needs to put things right.

Our adjudicator didn't recommend that Everyday Loans should pay any additional redress. Mr N hasn't commented on that and I haven't seen anything which makes me think Everyday Loans acted unfairly towards Mr N in any other way. So I'm not awarding any additional redress.

And I think it is fair and reasonable for Mr N to repay the capital amount that he borrowed because he had the benefit of that lending - but he shouldn't repay any more than this.

So I've set out below what Everyday Loans should do to put things right.

Putting things right

If Everyday Loans has sold any outstanding debt it should buy this back if able to do so and then take the following steps. Otherwise, Everyday Loans should liaise with the new debt owner to achieve the results outlined below and do the following:

- add up the total amount of money Mr N received as a result of having been given the loan. The repayments Mr N should be deducted from this amount.
- If this results in Mr N having paid more than he received, then any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement).
- If any capital balance remains outstanding, then Everyday Loans should attempt to arrange an affordable/suitable payment plan with Mr N bearing in mind the need to treat him positively and sympathetically if he still needs further time to pay what he owes.
- Whilst it's fair that Mr N's credit file is an accurate reflection of his financial history, it's unfair that he should be disadvantaged by the decision to lend this loan. So Everyday Loans should remove any negative information recorded on Mr N's credit file regarding the loan.

*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. Everyday Loans should give Mr N a certificate showing how much tax has been deducted if he asks for one.

My final decision

I uphold Mr N's complaint and direct Everyday Lending Limited trading as Everyday Loans to take the steps I've set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 30 March 2022.

Susan Webb
Ombudsman

