

## **The complaint**

Mr W complains about Everyday Lending Limited (ELL) and their decision to provide him with a loan which he thinks was unaffordable.

## **What happened**

On 20 September 2021, Mr W applied for a loan with ELL. This application was approved, and Mr W received a loan of £3,000 with a monthly repayment of £269.98 payable over 24 months. But Mr W was unable to make his first monthly repayment due in November. Mr W made ELL aware he was unemployed and working with a debt management charity to arrange his finances before raising a complaint in December.

Mr W thought ELL acted irresponsibly when approving the loan. Mr W didn't think ELL had assessed the bank statements provided with his application fairly and that if they had, they would've realised he was working as an agency worker and so was unable to guarantee he had the income to repay the loan. So, he wanted ELL to compensate him in line with our service's guidelines.

Mr W didn't think ELL had acted fairly when approving the loan. Mr W thought

ELL responded and didn't agree. They thought they'd completed proportionate checks before approving Mr W's loan. And they thought the information these checks suggested the loan was both affordable and sustainable. So, they didn't agree they'd acted irresponsibly and didn't think they needed to do anything more. Mr W remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and upheld it. They thought the checks ELL completed were proportionate. But they didn't think the information these checks provided had been assessed fairly. Our investigator didn't think the net income ELL used when deciding to approve the loan was reasonable, as it didn't take into account the reduced income Mr W received in the two months early as shown on Mr W's bank statements. So, they didn't think ELL had enough information to show the loan was sustainable for Mr W over a period of 24 months and because of this, they didn't think ELL had acted responsibly.

So, our investigator thought ELL should reverse all interest and charges applied to the account, so all past and future payments Mr W made are used to reduce the loan capital he received. And they thought ELL should remove any negative information reported on Mr W's credit file in relation to the loan, with no further negative information to be reported in the future.

Initially, Mr W disagreed with this outcome and requested the loan be written off entirely. But Mr W changed his mind regarding this, and accepted the recommendation put forward by our investigator. And ELL also accepted the investigator's recommendation but asked for the case to be passed to an Ombudsman so a full and final decision could be issued. As ELL requested for a decision to be issued, the complaint has been passed to me.

## **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.

Having done so, I'm upholding the complaint for the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

Following our investigators view, ELL have accepted they acted irresponsibly when provided Mr W with the loan. So, I don't intend to discuss this further in detail. But I think it would be useful for me to clarify my own thoughts. And looking at the bank statements Mr W provided as part of his application, I think it's clear his income varied significantly and that he received income from various sources. So, I think this should've alerted ELL to request further clarification on Mr W's employment status, to ensure the loan would be sustainable over the entire term of the loan. And I can't see that they did. So, I don't think they assessed the information they had available to them fairly and because of this, I've then thought about what I think ELL should do to put things right.

## **Putting things right**

When thinking about what ELL should do to put things right, any award or direction I make is intended to place Mr W back in the position he would've been, had ELL acted fairly in this instance.

In this case, I think it's reasonable for me to assume that, had ELL asked Mr W for further clarification on his employment status, they would've realised he was an agency worker and that his income had the possibility to fluctuate significantly. And because of this, ELL wouldn't have been able to guarantee the monthly repayment was sustainable. So, I don't think they would've approved Mr W's application and provided him with the loan. So, I don't think it's fair for ELL to report any negative information relating to the loan to Mr W's credit file as it should never have been given to be reported on. So, any negative information reported relating to this loan should be removed from Mr W's credit file and no further information should be input.

And if the loan hadn't been provided, there would've been no loan to accrue interest and charges. So, any interest and charges applied to the loan should be removed, so that only the capital is left to be repaid and that any payments Mr W has already made is offset against the capital balance only.

But I do think the capital should be repaid, as Mr W had received the benefit of the £3,000 ELL lent to him. Mr W has explained he's working with a debt charity to help him manage his outstanding debt. I'd expect ELL to act positively and sympathetically towards Mr W's financial situation and work with him to agree an affordable and suitable repayment plan.

## **My final decision**

For the reasons outlined above, I uphold Mr W's complaint about Everyday Lending Limited and direct them to take the following action:

- Remove any interest and charges applied to the account, so any payments Mr W has made or will pay is used to offset the capital balance of the loan only; and
- Remove any negative information reported to Mr W's credit file regarding the loan and report no further information moving forwards.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 June 2022.

Josh Haskey  
**Ombudsman**