DRN-3441046

The complaint

Mr B complains that Everyday Lending Limited, trading as Everyday Loans, lent to him irresponsibly.

What happened

Mr B was approved for two loans and using the information Everyday Lending has provided, here is a brief table of the approved loans.

	Date taken	Amount received	Term	Monthly repayment	Amount payable	Date repaid
Loan one	04/10/2017	£3,000	24 months	£243.73	£5,849.52	29/05/2019
Loan two	29/05/2019	£1,432.92	60 months	£93.04	£5,582.40	outstanding

One of our adjudicators looked at the complaint and thought that Everyday Lending should put things right for Mr B in relation to both of the loans. Everyday Lending agreed with our adjudicator's view on loan 2, but disputed some of her findings in relation to loan 2.

The unresolved complaint was passed to me to decide.

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.

Taking into account the relevant rules, guidance and good industry practice, I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Everyday Lending, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay in a sustainable way?
- If not, would those checks have shown that Mr B would have been able to do so?
- Did Everyday Lending act unfairly or unreasonably in some other way?

The rules and regulations in place required Everyday Lending to carry out a reasonable and proportionate assessment of Mr B's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Everyday Lending had to think about whether repaying the loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn't cause Mr B undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

In other words, it wasn't enough for Everyday Lending to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr B. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr B's complaint.

I have not reviewed the issues surrounding loan 2 as Everyday Lending has agreed that it ought not to have lent to Mr B for loan 2.

In relation to Loan 1, I have reviewed all the documents supplied by Mr B and Everyday Lending and I appreciate that Mr B was going to use the £3,000 from Everyday Lending to pay off some of his other high cost short term and other high cost credit as well as pay down some regular revolving credit. And I have seen his bank statements for October 2017 which shows that he did do that.

However, Everyday Lending has presented notes of the interviews with Mr B, carried out before lending and they state that Mr B assured them his rent was £350 whereas a note recorded by Everyday Lending demonstrates that the person reviewing Mr B's bank statements had seen that he paid £700 a month for rent. The true rental figure was not verified and recorded in their 'income and expenditure' calculations as £350. This made a fundamental difference to the financial picture for Mr B and was incorrect. Everyday Lending got that wrong.

In addition to this, I have seen that as recently as September 2017 two other high cost short term lenders deposited significant sums into Mr B's bank account. Yet soon after that Mr B approached Everyday Lending for £4,000. Everyday Lending did actually lend £3,000 but had not appreciated that Mr B seemed to be in a cycle of constantly borrowing and repaying high cost credit. It had the information available to it as it had reviewed Mr B's bank statements and other details.

The term for loan 2 was for 24 months at £244 a month (almost) and that, with the debt that Mr B did not pay off with the £3,000 loan, plus the £700 a month, together with his usual expenses, leads me to think that Everyday Lending had not assessed his finances suitably well, and in reality Mr B was not likely to be able to afford this loan even if he had consolidated the other loans.

I uphold Mr B's complaint for loan 1 and I endorse Everyday Lending's plan to put things right for loan 2.

Putting things right

Everyday Lending should:

- remove all interest, fees and charges applied to Loans 1 and 2,
- treat any payments made by Mr B in respect of the two loan as payments towards the capital amounts,
- If Mr B has paid more than the capital then any overpayments should be refunded to him with 8% simple interest* from the date they were paid to the date of settlement,
- But if there's still an outstanding balance, Everyday Lending should come to a reasonable repayment plan with Mr B.
- remove any adverse information about Loans 1 and 2 from Mr B's credit file.

*HM Revenue & Customs requires Everyday Lending to take off tax from this interest. It must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold Mr B's complaint and I direct that Everyday Lending Limited does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 June 2022.

Rachael Williams
Ombudsman