

The complaint

Ms M complains that Everyday Lending Limited, trading as Everyday Loans, lent to her irresponsibly and without carrying out proper affordability checks. She would like all the fees and charges associated with the loans refunded.

What happened

Between November 2014 and October 2019 Everyday Loans approved four loans for Ms M. When assessing the applications, Everyday Loans took steps to verify Ms M's financial circumstances and carried out credit checks before approving the lending. It would appear that the fourth and final loan is still current, although that hasn't been confirmed.

Via a claims management company, Ms M complained to Everyday Loans, but it didn't accept that it had done anything wrong. When she brought her case to this service, the adjudicator thought that Everyday Loans shouldn't have granted loans three and four, so partly upheld the complaint. Ms M accepted that, but Everyday Loans didn't respond.

As Ms M has accepted that Everyday Loans did nothing wrong when granting loans one and two, so those are no longer in dispute, this decision will only be considering whether it should have granted her loans three and four. They were given in November 2016 and October 2019 respectively.

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.

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 going to uphold this complaint in part, essentially for the same reasons as the adjudicator, to which Everyday Loans has not responded.

Everyday Loans is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Ms M would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that she could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences"

Essentially, Ms M needed to be able to meet her financial commitments and not have to borrow elsewhere to repay Everyday Loans for the loan to be considered affordable and sustainable.

Did Everyday Loans carry out proportionate checks before granting these loans?

For the same reasons as those set out by the adjudicator, I'm satisfied that Everyday Loans' checks went far enough.

Did Everyday Loans respond appropriately to the information it had when deciding whether to provide this loan?

Based on what it knew about Ms M, I cannot see how Everyday Loans concluded that these loans would be sustainable for her, bearing in mind the regulations in force. I'll summarise why for each loan.

Loan three – November 2016

The adjudicator set out in detail why she thought that Everyday Loans' decision to provide loan three to Ms M was a mistake and that there was evidence that the borrowing would not be sustainable for her. Everyday Loans made no response, so I have no submissions from it to deal with. Consequently I will summarise here the key reasons why I am upholding the complaint about this loan:

- Despite most of the purpose of the loan being to reconsolidate other debt, it actually increased Ms M's monthly credit outgoings from around £798 to around £847.
- There were clear signs of financial distress in the information Everyday Loans gathered – most crucially a recent default; a recent very late payment; and a substantial amount of Ms M's income being paid out to a debt collector.
- Ms M's borrowing was, in short, out of control, at this time, and I cannot see how Everyday Loans could have concluded that granting this loan would improve her situation. The inescapable conclusion is that she would have needed to borrow to meet this repayment.

As I've explained, needing to borrow to meet repayments means that the lending is not sustainable for the customer. It therefore follows that I uphold the complaint about this loan.

Loan four – October 2019

Although it isn't entirely clear, Everyday Loans suggests that this loan, for £10,000, to be repaid over 36 months at £654 per month, was to buy a car. It doesn't appear to have been intended to consolidate any other debt.

When taken in conjunction with her other monthly credit outgoings, this loan put Ms M in a position where a substantial amount of her income was needed simply to service unsecured debt. Substantial enough that this in itself should have led Everyday Loans to conclude that there were serious concerns about the sustainability of the lending, and a high risk that Ms M would struggle to manage the repayments. So it should have refused the application.

Putting things right

In order to put things right for Ms M, Everyday Loans must do the following:

A) Everyday Loans must remove all interest, fees and charges from the balance on loans four, and treat any repayments made by Ms M as though they had been repayments of the principal on the outstanding loan.

B) If this results in Ms M having made overpayments then it must refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the payments were made, to the date the complaint is settled.

C) If there is still an outstanding balance following the actions set out in “A”, then Everyday Loans should agree a suitable repayment plan with Ms M.

D) Everyday Loans should refund all interest, fees and charges applied to loan three and add 8% simple interest* on the payments from the date the payments were made to the date of settlement.

E) It must remove any adverse information recorded on Ms M’s credit file in relation to these loans, once they have been repaid.

*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. It should give Ms M a certificate showing how much tax it’s deducted, if she asks for one.

My final decision

For the reasons I’ve explained, I uphold this complaint in part 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 Ms M to accept or reject my decision before 2 June 2022.

Siobhan McBride
Ombudsman