

The complaint

Mr W says Everyday Lending Limited (ELL), trading as Everyday Loans, irresponsibly lent to him.

What happened

This complaint is about a 24-month instalment loan for £1,500 that ELL provided to Mr W on 5 July 2021. The monthly repayments were £156.01 and the total repayable was £3,744.24.

Mr W says he had other overdue unpaid debts at the time and ELL was wrong to lend to him.

Our adjudicator didn't uphold Mr W's complaint saying ELL's checks were proportionate and didn't show anything which meant it shouldn't have given the loan. Mr W disagreed and asked for an ombudsman's review, so the complaint was passed to me.

I reached a different conclusion, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new evidence by 2 June 2022.

Extract from my provisional decision

ELL has provided evidence to show that before lending it asked for some information from Mr W. It asked for his monthly income and checked this against a recent payslip. It estimated his living costs using national averages and added a buffer. It carried out a credit check to understand his credit history and his existing credit commitments. It reviewed a recent bank statement to check other credit commitments. It asked about the purpose of the loan which was for a wedding/birthdays. Based on these checks ELL thought it was fair to lend.

I think these checks were proportionate, but I don't think ELL made a fair lending decision based on the information it gathered. I'll explain why.

ELL could see from its checks that Mr W had a significant amount of adverse data on his credit file. He had defaulted on ten accounts. I accept that a number of these were historic but four were from 2020, and three of these hadn't been settled. Three of the older defaults were still being repaid too. He was also in arrears on one of his active accounts – and had been for most of the previous 12 months. So I don't think it was fair to conclude Mr W's financial position was wholly stable at the time.

Mr W had told ELL that he had defaulted on so many accounts previously due to gambling problems. It could see from his bank statements that there were still some gambling transactions. To be clear, given the low frequency and value, I am not saying this activity in itself was a reason to decline the application. But ELL needed to give this information due regard given what Mr W had told it about the cause of his previous financial problems. In addition, approving this loan meant Mr W would then need to spend an increased and

significant proportion of his income on servicing his debt.

So, in the round, I don't find ELL's decision was borrower-focused. Given the circumstances set out above, I think ELL ought to have realised there was a risk Mr W would be unable to repay this loan sustainably over the two-year term of the loan – he was already failing to meet one of his current commitments. And ELL needed to consider the likely impact on Mr W over the loan term to meet its regulatory obligations, not just the pounds and pence affordability.

It follows I think ELL was wrong to give this loan to Mr W.

I've also thought about whether ELL acted unfairly in some other way and I haven't seen any evidence that it did.

I then set out what ELL would need to do to put things right if I went on to uphold Mr W's complaint.

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.

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 neither party sent in any comments or new evidence for me to consider I have no reason to change the findings or outcome I set out in my provisional decision.

For the reasons set out above I find ELL was wrong to lend to Mr W.

Putting things right – what ELL needs to do

I think it is fair and reasonable for Mr W to repay the capital amount that he borrowed, because he had the benefit of that lending. But he has paid extra for lending that should not have been provided to him so ELL needs to put that right.

It should:

- refund all interest and charges Mr W paid on the loan;
- if reworking Mr L's loan account results in him having effectively made payments above the original capital borrowed, then ELL should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*;
- if reworking Mr L's account results in there still be a capital balance outstanding ELL should work with Mr L to agree an affordable repayment plan; and
- remove any negative information about the loan from Mr W's credit file.

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

My final decision

I am upholding Mr W's complaint. Everyday Lending Limited, trading as Everyday Loans, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 July 2022.

Rebecca Connelley
Ombudsman