

The complaint

Mr M complains that Everyday Lending Limited, trading as Everyday Loans ("Everyday"), irresponsibly granted him credit that he couldn't afford to repay.

What happened

Everyday provided several loans to Mr M, as follows:

	Date taken	Amount received	Plus interest	Date repaid
Loan 1	22/7/2009	£1,681.50	£1,054.70	19/3/2010
Loan 2	19/3/2010	£1,893.50	£761.21	22/7/2011
Loan 3	25/2/2011	£2,890	£1,265.37	25/11/2011
Loan 4	22/7/2011	£4,090	£3,165.19	10/12/2012
Loan 5	10/12/2012	£5,202.49	£7,157.73	Settled

Mr M said they were wrong to provide credit as it wasn't affordable.

Everyday disagreed. They said that when they approved the loan applications they reviewed Mr M's credit file and gathered information on his income and expenditure from payslips and bank statements. They noted he was in regular employment with a salary of around £1,800 per month and not paying any board to his parents who he lived with throughout the period the loans were provided. The credit files showed them that Mr M had no County Court Judgements and few additional credit agreements in place and Everyday didn't see anything in that information that would suggest the loans weren't affordable for Mr M.

Our investigator thought that Everyday shouldn't have provided loans four and five and suggested Everyday should take some action to remedy the situation. But as Everyday didn't respond to her view on the complaint it has been passed to me, an ombudsman, to make a final 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Loans 1, 2 and 3.

I think Everyday completed proportionate checks before approving these loans. They reviewed Mr M's credit file and checked his income and expenditure through his wage slips and bank statements. That information suggested Mr M had few other credit commitments and sufficient disposable income to afford the relatively modest repayments on these loans. There was an historic default on his account from 2006 with an outstanding balance, but as that was historic and Mr M was managing his previous credit commitments well I don't think that ought to have raised concerns about the affordability of the borrowing.

Loan 4 and 5

I think Everyday completed proportionate checks here as well. They reviewed Mr M's credit file and checked his income and expenditure through his wage slips and bank statements. But I think at this point the business should have realised Mr M was becoming over reliant on this form of credit. His indebtedness on his credit agreements was increasing and this was the fourth time he'd renewed his lending with Everyday. Mr M's bank account was always close to the overdraft limit and he'd been charged a return fee on his current account the month before his application. I think this information should have persuaded Everyday that Mr M was unlikely to be able to sustainably repay the fourth loan and they shouldn't have approved it.

By the time Mr M applied for loan 5 his indebtedness on his credit agreements had increased further and he'd defaulted on two accounts a couple of months earlier with a balance of £880 unpaid. The interest rate on this new lending was higher than had previously been provided and I think it was very clear at that point that Mr M was struggling financially and wouldn't be likely to be able to sustainably afford the loan being offered. I don't think Everyday were responsible when providing this loan either.

Putting things right

To settle Mr M's complaint, Everyday should:

- Add up the total amount of money Mr M received as a result of having been given loans 4 and 5. The repayments Mr M made should be deducted from this amount.
 - a) If this results in Mr M having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). *
 - b) If any capital balance remains outstanding, then Everyday should attempt to arrange an affordable and suitable payment plan with Mr M for the capital amount only.
- Once the capital has been repaid, remove any adverse information recorded on Mr M's credit file relating to loans 4 and 5.

*If HM Revenue & Customs requires Everyday to deduct tax from any award of interest. It must give Mr M a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

I uphold this complaint and tell Everyday Lending Limited to put things right in the manner I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 September 2022.

Phillip McMahon
Ombudsman