

## **The complaint**

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

## **What happened**

Everyday approved a loan of £1,500 for Mr M in June 2018. He was to repay £181.08 every month for 24 months. The total he would repay was therefore £4,345.92.

Mr H says Everyday were wrong to provide credit as it wasn't affordable for him.

Everyday disagree. They say that when they approved the loan they completed reasonable and proportionate checks. They asked Mr M about his income and expenditure, checked his income by reviewing payslips and considered his bank statements. They also reviewed Mr M's credit file and, having done that, they saw no reason not to advance the credit.

Our adjudicator didn't agree that the loan was affordable but Everyday thought it was. They said that Mr M had been trying to consolidate his debts, reduce his monthly outgoings and reduce his reliance on pay day loans and that the credit they were providing allowed him to do that.

The complaint has therefore been referred to me, an ombudsman, for 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 here.

I think Everyday completed reasonable and proportionate checks before approving the loan, but I think the information it collected should have told them the loan wasn't affordable.

Everyday's own calculations suggested that after consolidation some debt, adding his new loan repayments, and taking Mr M's expenses into account, he'd only have £90.86 left as disposable income. He still had pay day loans on his credit file and had taken a new one. The presence of missed payments and a County Court judgment within the last twelve months would have alerted them to the fact that Mr M had been having difficulty managing his credit commitments and had been over reliant on credit.

I don't accept that by providing a loan with an APR of over 249% they were likely to be improving Mr M's position. The decision to lend increased Mr M's indebtedness and the disposable income calculation suggested he would have very little left to fund his day to day activities. I think it should have been clear to Everyday that Mr M would be unlikely to be

able to sustain payments towards this loan agreement. I don't think the loan was therefore affordable.

### **Putting things right**

As I don't think Everyday should have approved the loan I don't think it's fair for it to charge any interest or charges. However, Mr M has had the benefit of the capital he lent so I think he should pay that back.

While I think it's fair that Mr M's credit file is an accurate reflection of his financial history, I don't think it's fair that he should be disadvantaged by Everyday Loans decision to lend to him irresponsibly. Therefore, I think Everyday Loans should remove any negative information they have recorded on Mr M's credit file in relation to this loan.

If Everyday have sold the outstanding debt, they should buy it back, but if they are not able to buy the debt back, then should liaise with the new debt owner to achieve the results outlined below.

- Remove all interest, fees and charges from the balance of the loan, and treat any repayments made by Mr M as though they had been repayments of the principal on the outstanding loan. If this results in Mr M having made overpayments then Everyday should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- However, if there is still an outstanding balance then Everyday should try to agree an affordable repayment plan with Mr M. Everyday shouldn't pursue outstanding balances made up of principal they have already written-off.
- Remove any adverse information recorded on Mr M's credit file in relation to this loan

\*If HM Revenue & Customs requires the business to deduct tax from this interest. They should give the consumer a certificate showing how much tax they've deducted, if the consumer asks for one.

### **My final decision**

I uphold this complaint and direct Everyday Lending Limited to put things right in the way 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 11 October 2022.

Phillip McMahon  
**Ombudsman**