

The complaint

Mr N complains Everyday Lending Limited trading as Everyday Loans irresponsibly lent to him on multiple occasions.

What happened

Everyday Loans approved Mr N for the following loans:

Loan	Date	Amount	Term	Monthly repayments (approx.)
One	September 2014	£1,500	13 months	£190
Two	April 2015	£3,500	36 months	£210
Three	May 2016	£4,500	24 months	£390
Four	March 2018	£6,150.40	36 months	£390

There was also a fifth loan taken out after loan four. However this loan was taken in joint names and as such will be considered under a separate complaint reference.

Mr N says all of the above loans were irresponsibly lent to him. He says he was experiencing financial hardship; and that he struggled to make the necessary repayments. Mr N says he had to borrow from friends and family to make repayments. He says he also gambled to try to make repayments. Mr N says that Everyday Loans ought to have known he could not afford the repayments and not lent to him.

Our investigator reviewed the complaint and recommended the complaint be upheld in part. She set out her findings as such:

- Proportionate checks had been carried out for all four loans;
- Everyday Loans made fair lending decisions, based on what was gathered from its checks, for loans one and two;
- Loans three and four had not been lent responsibly as the information gathered demonstrated that these loans were increasing Mr N's overall level of debt in a way that was harmful and unsustainable.

Mr N agreed with our investigator's assessment. Everyday Loans did not agree and asked for an ombudsman's review. Everyday Loans maintained that it lent loans three and four responsibly. It says that whilst the overall level of indebtedness increased it was not harmful; and was to be expected as Mr N was consolidating his existing debts. Everyday Loans

maintained the checks it completed demonstrated that Mr N could sustainably afford the repayments for both loans three and four.

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 approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Mr N and Everyday Loans are aware of our service's approach to irresponsible and unaffordable lending complaints; so for the sake of conciseness I won't set out the detail here. And as the parties agree with the findings of the investigator on loans one and two and that Everyday Loans gathered sufficient information before agreeing to loans three and four, I've limited my decision here to whether Everyday Loans ought to have realised if it was increasing Mr N's overall indebtedness in a way that was unsustainable or harmful; and if it acted unfairly or unreasonably towards Mr N in any other way.

Loan three

Loan three was taken out in May 2016; a little over a year after loan two and was for a capital amount of £4,500. The term for this loan decreased to 24 months resulting in the monthly payments increasing from around £210 to approximately £390. The proceeds of this loan went in part to settle Mr N's existing loan (loan two) with Everyday Loans.

I've already stated that the parties are in agreement that Everyday Loans gathered sufficient information before providing this loan. But even though this is the case, Everyday Loans still needed to ensure that it was lending responsibly. This includes more than just ensuring the loan was affordable to Mr N on a pounds and pence basis. And having reviewed the information that Everyday Loans had at the time; I'm not persuaded it did lend responsibly. This is because I'm persuaded that it was increasing Mr N's overall level of indebtedness in a way that was unsustainable or otherwise harmful.

I say this because I note that the majority of the proceeds of loan three went to settling the outstanding balance on loan two. Of the £4,500 being advanced; Mr N only received approximately £1,600 – meaning around £2,900 went to settle loan two. Importantly; when looking at the terms of loan two compared to that of loan three; I'm not persuaded this lending decision was fair and reasonable. Outside of the payments increasing; I note that loan two had an APR of 77%. And whilst this had run for some time before loan three was advanced; I note loan three's APR was 114.7%

Considering the majority of the proceeds went to settle the previous loan; I'm not satisfied that it was fair and reasonable for Everyday Loans to roll the outstanding balance on loan two into loan three in this way. As a result of this transaction Mr N was being moved from a loan schedule where more of his payment was going to reduce the capital amount to one where the vast majority of his payment, at least in the early stages, would be going towards repaying interest at a significantly higher interest rate. As this is the case, I don't think that it was fair and reasonable for Everyday Loans to act in this way and I'm satisfied that doing so meant that Everyday Loans was increasing Mr N's indebtedness in a way that was unsustainable and harmful to him. And on that basis Everyday Loans acted unfairly when providing this loan.

Loan four

Loan four was taken out in March 2018 for a capital amount of £6,150.40. Everyday Loans says this loan went in part to settle loan three and it gave Mr N a further £5,000 in capital. The stated purpose of the loan was debt consolidation and the monthly repayments remained largely the same.

I'm satisfied that the evidence Everyday Loans gathered before providing this loan showed that further lending would not be sustainable for Mr N; and by doing so (similar to loan three) Everyday Loans had acted unreasonably.

The amount of credit Mr N was receiving was not sufficient to consolidate all of his debts; and importantly left his highest debt (and likely one of his highest costing loans – the guarantor loan) outstanding. Everyday Loans also says it was consolidating down loan three; which considering was unfairly lent, also only had a short period of time remaining to pay off. So I'm not satisfied that there was an overall benefit to Mr N in taking this loan.

I'm satisfied therefore that loan four also increased Mr N's indebtedness in a way that was unsustainable or otherwise harmful. As such it should not have been lent.

Putting things right

Mr N has lost out financially as a result of Everyday Loans' actions. He has had to pay additional interest and charges. As such Everyday Loans needs to put things right.

In order to do so, I require Everyday Lending Limited trading as Everyday Loans to:

- Refund the interest and charges that Mr N has paid in relation to loans three and four;
- This amount should be refunded along with 8% simple interest (calculated from the date the payments were made until the date of settlement)*
- To remove any negative information recorded on Mr N's credit file in relation to loan three and four.

*HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mr N 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 this complaint against Everyday Lending Limited trading as Everyday Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 28 October 2022.

Tom Whittington
Ombudsman