

## **The complaint**

Ms L complains about the affordability of a loan Everyday Lending Limited trading as Everyday Loans lent to her in August 2014. Ms L also says Everyday Loans didn't freeze the interest on her loan when she struggled to repay.

## **What happened**

Everyday Loans lent Ms L one loan in August 2014, the loan was for £3,587 – which included the main loan and a secondary loan

Ms L complained to Everyday Loans about its lending decision, in response Everyday Loans said Ms L had complained outside the time limits that apply. The adjudicator thought we could look at Ms L's complaint, but Everyday Loans disagreed and asked for an ombudsman's decision. An ombudsman looked at this point and decided the complaint was one this service could look into.

Following the ombudsman decision, the adjudicator looked into the substance of Ms L's complaint and thought Everyday Loans shouldn't have lent to her. The adjudicator said Ms L was significantly indebted and couldn't afford to take on further borrowing. Everyday Loans disagreed and asked for an ombudsman's decision. It said Ms L was borrowing to consolidate her other loans and she had sufficient disposable income to afford the loan repayments.

## **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 considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when deciding Ms L's complaint.

Having done so, I've decided to uphold this complaint. I'll explain why.

There are several questions that I've thought about when deciding if Everyday Loans treated Ms L fairly and reasonably when it provided them with the loan.

1. Did ELL complete reasonable and proportionate checks to satisfy itself that Ms L would be able to repay their loan in a sustainable way?
  - If not, what would reasonable and proportionate checks have shown at the time?
  - Ultimately, did ELL make a fair lending decision?
2. Did ELL act unfairly or unreasonably in some other way?

Everyday Loans has provided information to show before it agreed to lend, it searched Ms

L's credit file, saw her most recent payslip and her bank statements for three months. I think based on the term and the cost of the loan, those checks were reasonable.

However, I don't think Everyday Loans reacted sufficiently to the information those checks revealed. Although Ms L was consolidating two of her credit card debts, it should have been clear to Everyday Loans she was dependent on credit and was borrowing for living.

The bank statements Everyday Loans saw showed;

- Ms L was using a significant portion of her overdraft limit and the account wasn't in credit on any of the statements it saw.
- Ms L was borrowing from several payday lenders.
- Ms L was over the limit on some of her credit cards and had made cash withdrawals from a credit card.

I think all these factors together should have alerted Everyday Loans that Ms L was likely going to struggle to make the monthly repayment of £257.43 over the 36-month term of the loan. Even with the debt consolidation, Ms L was still going to pay a significant portion of her monthly income towards unsecured lending. Ms L's position wasn't sustainable and, in the circumstances, Everyday Loans shouldn't have lent to her and it needs to put things right.

#### Did ELL act unfairly or unreasonably in some other way?

I've thought about whether Everyday Loans acted unfairly in some other way. Ms L has said Everyday Loans didn't freeze interest when she struggled to repay the loan. From what Ms L said she struggled to repay the loan and had a repayment plan but struggled to keep that up.

Everyday Loans is expected to treat its customers in financial difficulties positively and depending on the situation different measures may be appropriate, there's however no automatic requirement for Everyday Loans to freeze interest but that isn't to say it won't be appropriate in some circumstances.

Although I haven't seen information about Ms L's circumstances when she struggled to repay the loan or how Everyday Loans reacted, I think the measures to put things right below should redress this point.

#### **Putting things right**

I think it is fair and reasonable for Ms L to repay the principal amount that she borrowed, but she has paid interest and charges including life cover charges on a loan that shouldn't have been provided to her. As Ms L has lost out, Everyday Loans should;

- Refund all interest and charges Ms L paid towards the loan including the associated life cover charges;
- add interest at 8% per year simple on the above interest and charges from the date they were paid, if they were, to the date of settlement†;
- remove any adverse information recorded on Ms L's credit file about the loan.

†HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Ms L a certificate showing how much tax it's taken off if she asks for one

**My final decision**

For the reasons given above, I uphold Ms L's complaint and direct Everyday Lending Limited trading as Everyday Loans to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 6 October 2022.

Oyetola Oduola  
**Ombudsman**