

The complaint

Mr T complains that Everyday Lending Limited, trading as Everyday Loans (“Everyday”) irresponsibly provided him with a loan he couldn’t afford to repay.

What happened

Everyday approved a £2,500 loan for Mr T in April 2016. He was to pay 30 monthly instalments of £215.69 and the total to pay was therefore £6,470.70.

Mr T said they were wrong to provide credit as it wasn’t affordable for him.

Everyday disagreed. They said that when they approved the loan they reviewed recent bank statements and Mr T’s credit file. They asked him about his personal circumstances and checked his income. They estimated his likely expenditure and concluded that he would have sufficient disposable income to sustainably afford repayments towards the loan they were providing.

Our adjudicator didn’t agree and thought it was irresponsible for Everyday to provide the credit. The complaint has therefore 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 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 had been provided with bank statements from Mr T. Those statements demonstrated that Mr T was struggling to maintain repayments to his current creditors. There were many returned direct debits and his main bank account was in unauthorised overdraft by the end of each month. Mr T’s credit file showed there’d been a defaulted account within the last 36 months and that there had been recent missed payments on a couple of accounts.

Whilst it is clear some of the loan was to pay off a £517 credit card bill it’s not clear what the rest of the loan would be used for. Everyday say it was to pay off an overdraft, but Mr T didn’t have one and I can’t find sufficient evidence to suggest the balance of the funds was to pay off some of his other debts. On that basis it is difficult to support the assessment of disposable income that Everyday made. I think there was evidence Mr T wasn’t managing his finances well before the loan was approved, and I think the loan Everyday provided

would have been likely to make his indebtedness worse and it was therefore irresponsible to provide it.

Putting things right

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

- Deduct the repayments Mr T made from the amount he was lent.
- If this results in Mr T 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).
- If any capital balance remains outstanding, then Everyday should attempt to arrange an affordable repayment plan with Mr T.
- Remove any negative information they may have recorded on Mr T's credit file relating to the loan.

*HM Revenue & Customs may require the business to take off tax from this interest. If it does, the business must give the consumer a certificate showing how much tax it's taken off if they ask 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 T to accept or reject my decision before 13 December 2022.

Phillip McMahon
Ombudsman