DRN-3705730

The complaint

Mr D complains that Everyday Lending Limited, trading as Everyday Loans, lent to him irresponsibly and without carrying out proper affordability checks. He would like all the fees and charges associated with the loan refunded.

What happened

In December 2019 Everyday Loans approved a loan of £3,000 for Mr D, which was scheduled to be repaid at approximately £219 per month over a term of 24 months. The loan was intended to consolidate some of Mr D's other borrowing, as well as provided some extra funds for a holiday. When assessing the application, Everyday Loans took steps to verify Mr D's financial circumstances and carried out a credit check before approving the lending.

Unfortunately, since November 2020 it would appear that Mr D has been struggling with his repayments, although seems to be continuing to pay a reduced amount each month.

Everyday Loans did not accept that it had got anything wrong, so Mr D brought his complaint to this service. An adjudicator considered the evidence and thought that Everyday Loans should not have given him this loan. Everyday Loans didn't agree, so the case has come to me for a 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.

Everyday Loans is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr D would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

> "…*without…incurring financial difficulties or experiencing significant adverse consequences"*

Essentially, Mr D needed to be able to meet his financial commitments and not have to borrow elsewhere to repay Everyday Loans for the loan to be considered affordable and sustainable.

Did Everyday Loans carry out proportionate checks before granting this loan?

Everyday Loans asked Mr D about his income and expenditure; reviewed copies of bank statements; and carried out a credit check when considering his loan application. I'm satisfied that its checks went far enough.

Did Everyday Loans respond appropriately to the information it had when deciding whether to provide this loan?

Based on what it knew about Mr D, I don't think Everyday Loans could reasonably have concluded that this loan would be sustainable for him, bearing in mind the regulations in force.

Everyday Loans assessed this application on the basis that Mr D's monthly income was £1,490. It would appear that child benefit payments may have been included in that sum, but I haven't been given a breakdown so I can't be sure. All there is to confirm Mr D's income is two months' worth of bank statements, showing the deposit of fluctuating weekly wages. There are no child benefit payments showing. Averaging out his wages, albeit based on limited information from just two months, I think the figure of £1,368 per month is what is evidenced. So over £130 less than that recorded by Everyday Loans.

Turning to his expenditure, there is some conflicting information about what Mr D's housing costs were, but it is clear he was a homeowner, responsible for a mortgage repayment of £318 per month. Different Everyday Loans agents recorded, on the same day, that he paid none of the mortgage; half of the mortgage; and £39 towards a mortgage. I accept that there don't appear to be any mortgage repayments showing on the bank statements, and also that Everyday Loans nonetheless included that amount as part of his monthly debt burden. This is entirely right as the credit check shows he was liable for that debt. It would be extremely irresponsible to ignore that liability when considering his monthly expenditure over a two-year term, without detailed evidence to explain any such exclusion.

Therefore, once one of his loans had been consolidated by this borrowing, Mr D's overall credit repayment liabilities per month (including housing costs via the mortgage) would have been around £780, with about £460 representing unsecured lending.

Based on generic data about typical expenditures, Everyday Loans used an amount of £624 to estimate Mr D's average monthly outgoings for day to day living. I haven't seen anything on his bank statements to throw that figure into any serious doubt. (Although I note that it seems comparatively low for a homeowning adult with two dependent children.)

Therefore, Everyday Loans concluded that Mr D's monthly expenditure was around £1,400. So, based on its figures, that would have left him around £90 per month disposable income.

Given that Mr D had two dependent children (who will inevitably have needed at times larger one-off sums of money spending on them over the two-year term of this loan) and that he was a homeowner (again, liable for one-off amounts when household fixtures need essential repair or replacement) that calculated disposable income is very tight, to say the least.

However, as I've already set out, the evidence does **not** support the monthly income that Everyday Loans used. In fact, the evidence shows an average monthly income of £1,368 – less than his expenditure.

In addition, one third of Mr D's evidenced income was committed to servicing unsecured debts. That, too, ought to have raised concerns about financial sustainability.

In the round, the evidence very strongly suggests that Mr D's financial liabilities exceeded his income. I accept it's possible that Everyday Loans could have sought more evidence to *potentially* support its lending decision – such as the nature of Mr D's mortgage and how it was being paid, or potential additional income via child benefit. But it chose not to. The evidence it decided to rely on does not suggest that this borrowing was affordable and sustainable for Mr D, so it follows that I uphold this complaint

Putting things right

In order to put things right for Mr D, Everyday Loans must do the following:

A) Everyday Loans must remove all interest, fees and charges from the balance on the outstanding loan, and treat any repayments made by Mr D as though they had been repayments of the principal on the outstanding loan.

B) If this results in Mr D having made overpayments then it must refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the payments were made, to the date the complaint is settled.

C) If there is still an outstanding balance following the actions set out in “A”, then Everyday Loans should agree a suitable repayment plan with Mr D.

D) It must remove any adverse information recorded on Mr D’s credit file in relation to this loan, once it has been repaid.

*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. It should give Mr D a certificate showing how much tax it’s deducted, if he asks for one.

My final decision

For the reasons I’ve explained, I uphold this complaint and direct Everyday Lending Limited to put things right as set out above

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr D to accept or reject my decision before 3 November 2022.
Siobhan McBride
Ombudsman