

## **The complaint**

Miss M complains that Everyday Lending Limited, trading as Everyday Loans, lent to her irresponsibly and without carrying out proper affordability checks. She would like all the fees and charges associated with the loan refunded.

## **What happened**

In December 2019 Everyday Loans approved a loan of £1,000 for Miss M, which was scheduled to be repaid at approximately £133 per month over a term of 18 months. The loan was intended to cover Christmas expenses. When assessing the application, Everyday Loans took steps to verify Miss M's financial circumstances and carried out a credit check before approving the lending.

It would appear that Miss M was not always able to make the agreed repayment, as I note reduced amounts being paid in some months, and higher amounts in others, presumably to "catch up". There are also references to unpaid amounts. So the account does not seem to have been entirely unproblematic.

When Miss M complained to it, Everyday Loans didn't accept it had done anything wrong. So she brought her case to this service. Initially she complained about two loans given to her by Everyday Lending, but the parties have accepted the adjudicator's findings on loan one, so that is no longer in dispute and won't be dealt with in this decision.

The adjudicator thought that Everyday Loans shouldn't have given Miss M this loan in December 2019, but it doesn't accept that and has asked an Ombudsman to review the case.

## **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.

Having done so, I'm going to uphold this complaint and I'll explain why.

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 Miss M 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 she could manage the repayments,

*"...without...incurring financial difficulties or experiencing significant adverse consequences"*

Essentially, Miss M needed to be able to meet her 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 Miss M about her income and expenditure; reviewed a copy of a bank statement; and carried out a credit check when considering her 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 Miss M, I don't think Everyday Loans could reasonably have concluded that this loan would be sustainable for her, bearing in mind the regulations in force.

On a superficial level, the income and expenditure assessment ("I&E") that Everyday Loans completed did suggest that Miss M had a modest amount of disposable income each month.

However, there was a range of other issues and concerns which placed the findings of the I&E in some doubt, and about which Everyday Loans knew. I will summarise the key issues here:

- Defaults and County Court Judgements shown on Miss M's credit file, including some within the preceding three years.
- Apparent difficulties for Miss M in making repayments on her previous loan with Everyday Loans, including failed direct debits, and a need to switch to weekly repayments.
- Evidence from the bank statement reviewed by Everyday Loans to show that at least twice Miss M, albeit temporarily, was overdrawn, but didn't in fact have an agreed overdraft. Whether charges resulted from that isn't clear.
- Everyday Loans has cited monies received by Miss M from her partner, in relation to certain payments she was making on his behalf. However, Everyday Loans' annotations on the bank statement show that her outgoings which were noted to be on his behalf exceeded what he transferred to her by almost £100.

In short, the information Everyday Loans saw showed it that Miss M effectively had no disposable income, and was living, for want of a better expression, hand to mouth.

In the round, the evidence very strongly suggests that Miss M had repeated and long-standing financial struggles. I accept it's possible that Everyday Loans could have sought more evidence to *potentially* support its lending decision – such as evidence to support the suggested reasons why she had been unable to manage other credit, or additional bank statements to show that some months she did have some disposable income. (In fact, Miss M has supplied some additional bank statements, which simply confirm the difficulties summarised above.) But in any event it chose not to. The evidence it decided to rely on does not suggest that this borrowing with a monthly repayment of £133 was affordable and sustainable for Miss M, so it follows that I uphold this complaint.

### **Putting things right**

It appears that Miss M has settled this loan. In order to put things right for her, Everyday Loans must do the following:

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

B) If this results in Miss M 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) Whilst I don't believe there is, should there still be an outstanding balance following the actions set out in "A", then Everyday Loans should agree a suitable repayment plan with Miss M.

D) It must remove any adverse information recorded on Miss M'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 Miss M a certificate showing how much tax it's deducted, if she 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 Miss M to accept or reject my decision before 16 November 2022.

Siobhan McBride

**Ombudsman**