

The complaint

Mr A complains that Everyday Lending Limited trading as Everyday Loans lent irresponsibly when it approved two loans in his name.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr A applied for a loan of £3,000 for two years with a total sum repayable of £7,815 with interest via Everyday Loans in August 2018 (loan 1). During the application, Everyday Loans says it looked at his credit file and asked him to provide bank statements. Everyday Loans took the income Mr A was receiving into account and deducted living expenses leaving a disposable income. Everyday Loans has confirmed it used child benefit as part of Mr A's income. Everyday Loans says the application met its lending criteria and was approved. The loan was repaid in November 2019.

In November 2018 a County Court Judgement was recorded on Mr A's credit file. In March 2020 Mr A applied for another loan of £3,000 (loan 2). This loan was for three years with a total sum repayable of around £9,200. Everyday Loans looked at Mr A's credit file again and took information from his application, including his income. Everyday Loans obtained bank statements and contacted Mr A's employer to confirm his role. Everyday Loans approved Mr A's loan application.

In 2020, a third party acting on Mr A's behalf, complained to Everyday Loans that it had lent irresponsibly. Everyday Loans didn't uphold Mr A's complaints.

An investigator at this service looked at Mr A's complaint and upheld it in part. They thought Everyday Loans had lent irresponsibly when it approved Mr A's first loan. But they didn't agree the second loan was irresponsible. Everyday Loans asked to appeal, so Mr A's complaint has been passed to me to make a decision.

What I've provisionally 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.

Before a business agrees to lend, it should take reasonable steps to ensure it does so in a responsible way. There's no set list of checks a lender has to complete. In practice, this means businesses should ensure proportionate checks are carried out to make sure the customer can afford to repay the borrowing in a sustainable way. These checks should take into account various factors, like the amount being lent, the costs to the borrower each month, credit history and the consumer's income and outgoings. As the relationship between lender and borrower progresses, the business may need to consider carrying out more comprehensive checks to ensure the borrower can afford repayments in a sustainable way. The full rules can be found in CONC.

As noted above, I've reached a different view to the investigator. I think Everyday Loans' decision to approve both loans led to it lending irresponsibly. I'll explain why.

Everyday Loans obtained a reasonable amount of information and evidence from Mr A when assessing the application for loan 1. I can see Everyday Loans obtained a bank statement from Mr A and also looked at his credit file to get a picture of his income and outgoings. Mr A has also provided a copy of his credit file from 2020 that shows broadly similar information. Mr A submitted two sets of bank statements, one in joint names and one in his sole name.

I've looked at both and found Mr A's earned income was broadly in line with the figures Everyday Loans used. But I note Everyday Loans has confirmed it used Child Benefit being received into the joint account when assessing Mr A's application. The child benefit doesn't appear to be in Mr A's name. Given the application appears to have required the benefit income to be approved, I think Everyday Loans needed to be sure it was in his name. The bank statements also show signs Mr A may've been struggling. I note there are a number of returned direct debit payments for items including insurance, which I'd consider to be a priority bill, in the months before the loan was approved.

Given the total size of the loan and what Everyday Loans knew about Mr A, I think the decision to approve loan 1 was irresponsible.

I've looked at loan 2 in the same way. I note our investigator wasn't persuaded Everyday Loans lent irresponsibly in relation to loan 2 but I disagree. I think there were further signs at this stage that indicated Mr A would be unable to manage further repayments in a sustainable way. I note Mr A's credit file recorded a CCJ and new defaults to other finance providers in the period between loans.

I also note the income used by Everyday Loans reduced significantly between Mr A's applications. For loan 1, an income of around £3,200 was used in the assessment. But for loan 2 that figure had been reduced to around £2,200. In addition, whilst the initial borrowing amount was again £3,000, the term increased to 36 months for loan 2 and total amount repayable went up to around £9,200. Given the increased term, total borrowing and reduced income, I'm not persuaded it was reasonable to proceed. In my view, Everyday Loans lent irresponsibly when it approved loan 2 as well.

I invited both parties to respond with any additional points they wanted me to consider before I made my final decision. Everyday Loans confirmed it accepted the terms of my provisional decision. We didn't hear back from Mr A's representatives.

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.

As neither party has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I still think Mr A's complaint should be upheld, for the same reasons.

My final decision

My decision is that I to uphold Mr A's complaint and direct Everyday Lending Limited trading as Everyday Loans to settle as follows:

- Refund all interest, fees and charges applied to loans 1 and 2
- If the rework results in a credit balance, this should be refunded to Mr A along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Everyday Loans should also remove all adverse information regarding both loans from Mr A's credit file.
- Or, if after the rework there is still an outstanding balance, Everyday Loans should arrange an affordable repayment plan with Mr A on an interest free basis. Once Mr A has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

*HM Revenue & Customs requires Everyday Loans to deduct tax from any award of interest. It must give Mr A a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 December 2022.

Marco Manente
Ombudsman