

## **The complaint**

Mr H complains that Everyday Lending Limited trading as Everyday Loans lent him an unaffordable loan.

## **What happened**

Everyday Loans lent Mr H one loan in July 2019, the loan was for £2,100 to be repaid in 24 monthly instalments of £197. Mr H has fully repaid the loan.

When Mr H complained to Everyday Loans, it didn't uphold his complaint, so he referred his complaint to this service where one of our adjudicators looked at the complaint. Our adjudicator thought Everyday Loans' checks went far enough but he didn't think Everyday Loans should have lent based on the results of its checks.

Everyday Loans disagreed, it said Mr H was consolidating his borrowing and as he lived with his parents and had no dependents, the disposable income he had was sufficient. As the complaint hasn't been resolved, it has been passed 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A business should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

Everyday Loans has provided evidence to show that before lending, it searched Mr H's credit file, asked about his monthly income and living expenses, including credit commitments. Everyday Loans also verified some of the information Mr H provided by requesting bank statements. The reason for the loan was debt consolidation.

Everyday Loans has argued that it lent Mr H a loan for consolidation which was supposed to improve his overall financial circumstances. It has also said Mr H lived with his parents and had no dependents. This meant that he was in a position to afford to repay the loan over its

term.

I've looked at the consolidation Everyday Loans took into account and from what I can see, including the repayment of this loan, Mr H was due to repay a significant amount of his monthly income towards credit. With the debt consolidation, Mr H was still due to repay more monthly with this loan compared to his situation had he not taken the loan, so I don't think the debt consolidation improved Mr H's finances. The total monthly payments on his consolidated borrowing was around £178.89, less than the loan repayment.

I appreciate that Mr H declared he had no dependents and was living with parents but repaying over half of his monthly income towards unsecured credit is significant. Everyday Loans' checks revealed this and I think at the time of lending it should have seen that it was highly likely Mr H would struggle to repay the loan over the two year term.

Everyday Loans will know it wasn't just meant to check whether Mr H could afford the loan repayment on a pounds and pence calculation but it needed to be sure Mr H could sustain the repayments over the loan term.

### **Putting things right**

To put things right, Everyday Loans should:

- refund all interest and charges applied to the loan, and
- add interest at 8% per year simple on the refunded sums from the date they were paid, if they were, to the date of settlement†;
- remove any adverse information recorded on Mr H's credit file as a result of this loan.

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

### **My final decision**

For the reasons given above, 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 H to accept or reject my decision before 15 March 2023.

Oyetola Oduola  
**Ombudsman**