

The complaint

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

What happened

In March 2016 Everyday Loans approved a loan of £1,000 for Mr K, which was scheduled to be repaid at approximately £108 per month over a term of 24 months. It would seem that £300 of the loan was intended to consolidate other debts, and £700 for unspecified use.

When assessing the applications, Everyday Loans took steps to verify Mr K's financial circumstances and carried out a credit check before approving the lending.

It would seem that Mr K settled the loan via further borrowing from Everyday Loans.

When Mr K complained to it, Everyday Loans didn't accept it had done anything wrong. So he brought his case to this service. The adjudicator thought that Everyday Loans shouldn't have given Mr K this loan, but Everyday Loans hasn't responded to that view. So, whilst it may in fact not disagree with the adjudicator's recommendations, the case has been passed to me for review and 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.

Having done so, I'm going to uphold this complaint broadly for the same reasons as those of the adjudicator.

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 K would be able to repay the borrowing applied for in a sustainable way.

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

Everyday Loans asked Mr K about his income and expenditure; reviewed copies of bank statements; and carried out a credit check when considering his loan application. Like the adjudicator, 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 K, 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.

The adjudicator thought that the remaining amount of disposable income Mr K had, once all his financial commitments had been taken into account, was concerningly small, and that he needed to spend such a significant proportion of his income on servicing his debts that Everyday Loans should not therefore have lent to him.

As mentioned, Everyday Loans has not responded to the adjudicator's view. I share her concerns about disposable income and the proportion of income needed to service debt. In addition, I have identified some other reasons why I think Everyday Loans ought to have concluded that this borrowing was not sustainable for Mr K, and that he probably had some fairly entrenched financial problems:

- Two recorded CCJs on his credit file.
- Repeated use of high-cost short term lenders.
- Repeated use of an unauthorised overdraft on his current account, with charges being levied as a result.
- Two credit card accounts nearing their balance limit, and one over its limit.

It therefore follows that the evidence in this case leads me to uphold the complaint on the basis that Everyday Loans' assessments did not demonstrate that the borrowing was affordable and sustainable for Mr K.

Putting things right

It appears that Mr K has settled this loan. In order to put things right for his, 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 Mr K as though they had been repayments of the principal on the loan.

B) If this results in Mr K 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 Mr K.

D) It must remove any adverse information recorded on Mr K'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 K 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 K to accept or reject my decision before 22 June 2023.

Siobhan McBride

Ombudsman