

The complaint

Mr A complains that Everyday Lending Limited, trading as Everyday Loans ("Everyday Loans"), lent to him irresponsibly.

What happened

Mr A took out a loan with Everyday Loans in June 2021. He borrowed £1,000 over 18 months, repaying £120.12 a month, meaning he'd repay £2162.16 over the whole loan.

Mr A says he couldn't afford the credit. He says he had lots of debt elsewhere and that if Everyday Loans had done proper checks it would have known the credit was unaffordable for him.

Everyday Loans says it did all the necessary checks before it lent to Mr A and it didn't see anything which might make it think he couldn't afford the loan at the time. However, it did acknowledge that Mr A was unlikely to be able to sustainably make the repayments.

Everyday Loans offered to remove all the interest Mr A had paid on the loan and which he would have had to pay till the end of the loan. Everyday Loans said Mr A just had to pay back the actual capital he had borrowed.

Mr A didn't think this was a fair resolution. He wanted Everyday Loans to write off the whole loan. So, he brought his complaint to this service.

Our investigator reviewed Mr A's complaint. He agreed that Everyday Loans shouldn't have provided the loan to Mr A but he didn't agree that Everyday Loans should do anything different in terms of the redress it offered.

Mr A didn't agree with our investigator, so his complaint has been passed to me to make 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mr A's complaint.

Having done so, I have come to the same conclusion as our investigator. I will explain why I have reached this decision.

Everyday Loans needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr A could afford to repay what he was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts, how much borrowing Mr A had elsewhere and Mr A's income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Everyday Loans hasn't provided evidence in Mr A's case, but this service is familiar with the way it conducts its checks. The loan was sold face to face and Everyday Loans would typically review an applicant's bank statements. Mr A has provided copies of the bank statements he showed Everyday Lending, along with his credit report.

On one of the accounts there was evidence of some gambling, although Mr A also withdrew more from his gambling account than he spent on it. It's not clear whether Everyday Loans had access to this information (that is, that Everyday Loans saw statements from both of Mr A's bank accounts) but given Mr A's income and essential expenditure I don't think Everyday Loans would have thought the level of gambling was concerning.

Our investigator noted that Mr A was using a significant amount of short term lending and that Mr A's overdrafts were high. This should have concerned Everyday Lending at the time. I don't think if it had taken proper regard of Mr A's existing borrowing that it would have thought he could repay any further borrowing in a sustainable way. Indeed, that is what Everyday Lending has since conceded in its original response to Mr A's complaint. I agree with that position.

That leaves the matter of whether the redress offered to Mr A by Everyday Loans is fair. It is generally this service's aim to put a consumer back in the position they would have been in if the business hadn't erred, but this isn't always straightforward. In Mr A's case he has had the benefit of the money that was lent.

Mr A makes the case that he was extremely vulnerable at the time of taking the loan and that it has caused him a lot of stress and anxiety. He has since entered a debt management plan (DMP) to address his financial difficulties. In August 2022 Mr A stopped work, he says because of health problems and the mental stress of his financial situation. This means he is reliant on Universal Credit which is significantly lower than his income was when he was employed.

This loan is a relatively small part of Mr A's outstanding debts, and he is managing to make the agreed payments each month which is shared between his creditors. I don't think the addition of this loan was the most significant cause of Mr A's financial difficulties and the subsequent ill health that says he has experienced. And I don't think that the lending was so clearly unsustainable that there was never a realistic prospect of Mr A paying back what he was lent.

I understand Mr A's income has reduced since he took out the loan which has restricted his ability to pay back his borrowing. However, his DMP means that I think he has a realistic prospect of repaying the outstanding amount without causing Mr A undue financial hardship.

On balance, I don't think it would be reasonable or fair to Everyday Loans to expect Mr A not to pay the original loan.

My final decision

Everyday Lending Limited, trading as Everyday Loans, has already made an offer to Mr A which allows him only to pay back the original capital sum that he borrowed, without any interest and charges. I think this is fair in all the circumstances.

My decision is that Everyday Lending Limited, trading as Everyday Loans, should allow Mr A to settle the loan by only paying back the original capital sum (that is, without any interest or charges). At the time of Mr A's original complaint, he had paid £517.89 which left £482.11 to repay. That will have reduced by now as Mr A has made subsequent payments through his debt management plan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 November 2023.

Sally Allbeury
Ombudsman