

The complaint

Mr C complains that the loan he had from Everyday Lending Limited (trading as Everyday Loans) was unaffordable to him.

What happened

Mr C had one loan from Everyday Loans in May 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	19 May 2021	£1,000	18m	£94.26	30 Nov 2022	On time

Mr C says that he got into further debt as a result of the loan being unaffordable and ended up in financial hardship.

Everyday Loans says Mr C said the loan was for car repairs. It says it reviewed Mr C's bank statements and a payslip and carried out a credit search. Everyday Loans adds that Mr C said he lived with his parents and paid no rent and it calculated he had a monthly disposable income of £197.65 after the loan repayment. It says it believed the checks were proportionate and the repayments were sustainable.

Our investigator recommended the complaint should be upheld. She said the evidence she had seen showed Mr C was supplementing his income with high cost loans and that he had insufficient disposable income to sustainably make the repayments. She said that Everyday Loans should refund all the interest and charges as well as removing any associated negative information recorded on Mr C's credit file.

Everyday Loans responded to say that the bank statements showed Mr C used the short-term loans for car expenses.

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 need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr C's case, I have considered the following questions:

- Did Everyday Loans complete reasonable and proportionate checks when assessing Mr C's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?

- If not, what would reasonable and proportionate checks have shown?
- Did Everyday Loans make a fair lending decision?
- Did Everyday Loans act unfairly or unreasonably in some other way?

Everyday Loans carried out the following checks for the loans:

- Checked and verified Mr C's income and employment;
- Checked and verified Mr C's housing costs;
- Reviewed Mr C's credit file and identified existing credit commitments;
- Reviewed Mr C's recent bank statements.

I'm satisfied these checks were reasonable and proportionate for the loan.

As I'm satisfied that Everyday Loans carried out proportionate checks, I have now considered what this information showed:

- Mr C said the purpose of the loan was for car repairs;
- His verified income averaged £1,354 over the previous two months;
- He had no housing costs;
- Mr C's credit file showed:
 - Three loans with a combined balance of £12,967 and total monthly repayments of £349;
 - A credit card with a balance of £1,548 and a limit of £1,550;
- Everyday Loans used industry standard statistical data (ONS) to estimate Mr C's monthly living expenses to be £525, which appears to be roughly in line with what is shown on his bank statements;
- Mr C took out five short-term loans with four lenders, totalling over £850, in the month prior to the lending
 - Although he appears to have repaid one of them by 1 May 2021, he still had over £600, without interest, outstanding when he applied to Everyday Loans;
- Mr C also had two direct debits returned in April 2021.

I acknowledge that Mr C had made a car purchase in late March 2021 and that resulted in him needing to pay what appears to be a deposit of £500, along with monthly hire purchase, insurance and tax. This seems to have left him unable to afford his regular expenditure in April, resulting in the short-term borrowing. However, when he applied to borrow £1,000 for car repairs, I consider Everyday Loans should have seen he could not afford the repayments given he had over £600 of short-term lending outstanding.

In summary, I'm satisfied there were clear signs that Mr C was already struggling financially – the short-term lending, the returned direct debits and the credit card at its limit are all indicators – and the available information showed the lending was unsustainable.

So, I don't find Everyday Loans made a fair lending decision, although I don't consider it acted unfairly or unreasonably in any other way.

My final decision

My decision is that I uphold this complaint. Everyday Lending Limited (trading as Everyday Loans) should:

- Add up the total amount of money Mr C received as a result of having been given the loan. The repayments Mr C made should be deducted from this amount;
 - If this results in Mr C having paid more than he received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement);*
- Remove any negative information recorded on Mr C's credit file regarding the loan.

*HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. Everyday Loans should give Mr C a certificate showing how much tax it's deducted if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 November 2023.

Amanda Williams
Ombudsman