The complaint

Mr D complains that Everyday Lending Limited ("ELL") irresponsibly lent to him. Mr D says he shouldn't have been granted the loan.

What happened

ELL granted Mr D one loan in May 2022, the loan amount was £12,500. The loan had a term of 60 months with monthly repayments of £410.58. Mr D has struggled to keep up with his monthly repayments and has said he is now repaying this loan through a debt management company.

Mr D complained to ELL about its lending decision, but it didn't uphold his complaint. It said it carried out comprehensive checks, and those checks showed Mr D could afford the repayments.

Dissatisfied with ELL's response, Mr D referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator recommended that Mr D's complaint should be upheld. Our investigator thought ELL's checks went far enough but those checks showed Mr D would struggle to keep up with his monthly repayments over the loan term.

ELL disagreed, it said its checks took into account leisure expenses and it added a buffer to its calculations of Mr D's monthly outgoings. In ELL's view, its checks showed Mr D could afford the borrowing and so it didn't agree that it had done anything wrong.

As the complaint hasn't been resolved, it has been passed to me, an ombudsman to decide.

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 considered all the information on this complaint, I'm upholding Mr D's complaint and I've explained why below.

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 lender should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

ELL has provided information to show that it asked for Mr D's monthly income and verified this through his payslips and access to his bank statements. ELL searched Mr D's credit file and while there was no adverse information like defaults or County Court Judgements (CCJs), Mr D was repaying other creditors.

ELL took into account Mr D's monthly credit commitments and worked out Mr D's living expenses using the information it found on his bank statements. I can also see that it spoke to Mr D about his regular living expenses. I think ELL's checks went far enough. It didn't just take what Mr D told it but took steps to verify Mr D's monthly income, his committed living expenses and monthly credit repayments.

However, appropriate and sufficient checks on their own isn't enough to say that ELL hasn't done something wrong when it lent. I need to think about what those checks showed and if those results showed Mr D could afford each monthly repayment when they fell due, without suffering further financial detriment.

ELL has argued that its loan was a consolidation loan and saved Mr D over £200 monthly in payments to other creditors. ELL took steps to understand what Mr D was consolidating and what effect that had on his finances. I can also see that ELL issued cheques to repay some of Mr D's creditors. Ultimately, the loan reduced Mr D's monthly outgoings.

ELL needed to take steps to ensure Mr D's borrowing was sustainable. It wasn't just a pound and pence calculation to ascertain that it would get its money, the checks needed to borrower-focussed. In this case, ELL could see from Mr D's bank statements that he was dependent on credit. Mr D's bank statements showed that he was regularly taking out or repaying credit. In about three weeks leading up to ELL granting Mr D this loan, he took out three short term loans amounting to around £950 in capital.

ELL's calculation of Mr D's monthly income against his living costs and credit commitments meant that he was left with a monthly disposable income of around £72.48. This isn't a sufficient amount.

ELL was aware that £100 towards leisure activities was a regular monthly expense for Mr D so I think it was reasonable for it to take that into account when thinking about his monthly outgoings. ELL's added buffer of around £63 would have effectively left with Mr D with around £135 in disposable income. I don't think this was sufficient for someone in Mr D's circumstances, Mr D had dependents and the loan was for a term of five years.

I think given what ELL's checks revealed – that Mr D was dependent on credit and was left with a small disposable amount, it should reasonably have known that the lending wasn't sustainable for Mr D. I think ELL should have been aware that Mr D would likely need to borrow again to repay and he wasn't in the financial position to maintain his loan repayments over the term.

Based on the information here, I'm persuaded the lending wasn't sustainable for Mr D, ELL would have been aware of this from its checks, and it shouldn't have lent in those circumstances.
ELL needs to put things right for Mr D.

Putting things right

Where a business has lent when it shouldn't have, the aim of the redress is to put a consumer back in the position they'd have been had the loan not been taken. In this case, Mr D has had use of the funds and so as this can't be returned, I think a fair way to put things right will be for Mr D to only pay back the capital amount of £12,500. In essence, Mr D shouldn’t pay any interest, fees and charges attached to the loan.

ELL should:

- Remove all interest, fees and charges attached to the loan.
- Treat all payments Mr D has made towards the loan as payments towards the capital amount of £12,500.
- If this results in overpayments, these should be paid to Mr D with interest at 8% per year simple on the payments from the date they were paid, if they were, to the date of settlement†.
- If there’s an outstanding balance, then ELL should work with Mr D to agree a repayment plan.
- Once the capital has been repaid, ELL should remove any adverse information recorded on Mr D’s credit file.

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

Has ELL acted unfairly/unreasonably in some other way?

Mr D has said he wanted some compensation for the stress the loan has caused him. So, I’ve thought about whether ELL acted unfairly/unreasonably towards Mr D in some other way and whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, I’m satisfied the redress I have directed above results in fair compensation for Mr D in the circumstances of his complaint. I’m satisfied, based on what I’ve seen, that no additional award would be appropriate in this case.

My final decision

For the reasons given above, I uphold Mr D’s 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 D to accept or reject my decision before 30 March 2026.

Oyetola Oduola
Ombudsman