

## **complaint**

Mr M complains that Everyday Lending Limited irresponsibly lent him a high cost credit loan in September 2015.

## **background**

Everyday Lending lent Mr M one loan in September 2015. The loan was for £1,000 with a 24-month term. Mr M was due to make monthly repayments of £66.65, the total repayment at the end of the term was £1,599.60.

Mr M complained to Everyday Lending in 2018, it didn't uphold his complaint as it said it carried out checks that showed Mr M could afford the loan before it agreed to lend. Unhappy with Everyday Lending's decision, Mr M referred his complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator thought that Everyday Lending lent to Mr M when it should have known that he couldn't sustainably repay and so he recommended that the complaint should be upheld. Everyday Lending didn't respond to the adjudicator's assessment and as the complaint remains unresolved, it's been passed to me an ombudsman for a decision.

## **my findings**

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 ensure the consumer could repay without borrowing further or suffering significant adverse consequences to their finances.

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.

I can see that before Lending Everyday Lending carried out a number of checks before lending to Mr M. It asked him about his monthly income and living expenses including credit commitments. Mr M declared his income as £1,462.67. Mr M declared his rent as £280 and his credit commitment was around £75 per month. Everyday Lending's loan was meant to be used to consolidate Mr M's other loans.

Everyday Lending verified Mr M's income by requesting payslips and his bank statements. It also says it carried out a search on Mr M's credit file, but it hasn't provided the results of it search. Everyday Lending says that it worked out Mr M's disposable income as £603, after he's made the repayment of £66.65 towards the loan.

From what I've seen, I think Everyday Lending's checks went far enough but I don't think it reacted sufficiently to the results of its checks. It has said it increased Mr M's monthly living costs to £500 and it was based on this higher amount that it lent. I'm mindful that on the bank statements Everyday Lending saw before lending, it was clear that Mr M was spending a significant portion of his income on gambling.

Everyday Lending would have seen that in August 2015, Mr M spent around £600 on gambling transactions and in September 2015, the gambling transactions were around £890. These are significant sums compared to Mr M's income of under £1,500.

Everyday Lending should have known that this loan would adversely impact Mr M's financial situation and it shouldn't have lent to him as it was unsustainable. Everyday Lending needs to put things right. Mr M's credit file shows that Mr M defaulted on the loan in September 2017 and there was a default balance of £576.

I've also carefully thought about everything provided to see if Everyday Lending acted unfairly in some other way. Having done so, I've not seen anything here that leads me to conclude Everyday Lending acted unfairly or unreasonably towards Mr M in some other way.

### **Putting things right – what Everyday Lending needs to do**

To put things right for Mr M, Everyday Lending should:

- remove all the interest and charges applied to the loan; and
- treat all payments made by Mr M as repayments towards the capital amount of £1,000;
- if this results in overpayments, add interest at 8% per year simple on the overpayments from the date they were paid, if they were, to the date of settlement†;
- if there's still an outstanding balance, Everyday Lending should agree a suitable repayment plan with Mr M;
- remove any adverse information recorded on Mr M's credit file as a result of the interest and charges on this loan.

†HM Revenue & Customs requires Everyday Lending to take off tax from this interest. Everyday Lending must give Mr M 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 Mr M's complaint and require 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 M to accept or reject my decision before 16 March 2021.

Oyetola Oduola  
**Ombudsman**