

complaint

Miss T has complained about a personal loan Everyday Lending Limited, trading as Everyday Loans, provided to her. She says Everyday Loans acted irresponsibly in lending to her because of the financial situation she was in at the time.

background

Everyday Loans provided Miss T with a loan for £2,000 in February 2018. The loan had an APR of 199.6% and was to be repaid over two years. This meant that the total interest payable on the loan was £2,972.80, the total amount to be repaid was £4,972.80 and the monthly repayments were £207.20.

One of our adjudicators looked at Miss T's complaint and thought that Everyday Loans had acted irresponsibly in lending to her. Everyday Loans disagreed with our adjudicator, and so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The relevant rules and guidance say that businesses must act responsibly when lending to consumers. Businesses must consider the potential for the lending to adversely impact the consumer's financial situation and the consumer's ability to make the repayments as they fall due over the life of the agreement.

Businesses must assess whether the consumer could afford to meet the repayments in a sustainable manner, without incurring financial difficulties or significant adverse consequences. This means the customer should be able to make repayments on time, while meeting other reasonable commitments and without having to borrow to meet the repayments.

As part of its affordability check, Everyday Loans says it carried out a credit search to check Miss T's credit history and outstanding debt, and I've seen a copy of this. I've also seen copies of Miss T's bank statements given to Everyday Loans and the income and expenditure calculations done as part of the check.

The bank statements confirmed that Miss T's monthly income was around £1,500. The income and expenditure calculations show Everyday Loans was told Miss T's rent was around £500 and assumed she would use 35% of her income to pay for living expenses. And the credit search showed Miss T was making repayments towards around £800 of debt across four credit cards, around £500 of debt on a catalogue account and around £3,300 of older debt.

Everyday Loan's income and expenditure calculation therefore suggested Miss T would have a remaining monthly disposable income of around £300 each month, and around £100 each month after the payments for this loan were made.

But this loan would need to be repaid for two years. And Everyday Loans was required to establish whether Miss T could sustainably make the repayments, not just whether the repayments were affordable based on a strict pounds and pence calculation. And the calculation left Miss T with a relatively small amount of money for any unexpected expenses that might occur over the life of the loan.

The bank statements Everyday Loans had for Miss T also showed a number of significant monthly payments to companies that weren't listed on its credit search. They also showed that some of the payments being made to the companies that were listed on the credit search were much larger than the credit search said. And the statements showed that Miss T's monthly spending was significantly higher than the income and expenditure calculation assumed.

As Everyday Loans had access to the information on Miss T's bank statements, I don't think it was reasonable for it to rely solely on the information from the credit search and any assumptions about her living expenses. If Everyday Loans had also assessed the information on Miss T's bank statements it should have seen that some of the information from the credit search was inaccurate and that the estimate it had used for living expenses wasn't appropriate for Miss T. So I don't think Everyday Loans has acted reasonably in relying on a calculation it should have known didn't give an accurate reflections of Miss T's financial situation.

Everyday Loans also says Miss T wanted the loan in order to consolidate other debts. But the amount of this loan wasn't enough to pay off all the debts shown in the credit search. And Everyday Loans' calculation showed that only around £15 of monthly payments towards other debts were being consolidated by this loan. So I don't think it was reasonable for Everyday Loans to think that taking on this loan would improve Miss T's financial situation. And, given this, I think everyday Loans should have done more to question whether Miss T would be able to make the monthly payments towards this loan as well as towards the other debts she had that weren't consolidated by this loan.

Miss T had significant debts with other companies that would need to be repaid alongside this loan. Everyday Loans' calculation doesn't appear to have accurately taken these debts into account. It showed this loan wouldn't significantly improve her situation. And it left Miss T with a relatively small amount of money for any unexpected expenses. So I'm not satisfied Everyday Loans adequately considered whether Miss T could sustainably make the repayments and so I'm not satisfied it carried out reasonable and proportionate checks in relation to this loan.

Based on what I've seen of Miss T's financial situation at the time, if Everyday Loans had carried out reasonable and proportionate checks, I think it would have found it was unlikely that Miss T could afford to sustainably make the repayments. And so it wouldn't have given her the loan.

I therefore don't think Everyday Loans acted reasonably in providing Miss T with this loan. As Miss T ended up paying, and is being expected to pay, interest and charges on a loan she shouldn't have been given, I think she has lost out as a result of what Everyday Loans did wrong.

putting things right

I understand there may be an outstanding balance on the loan. Everyday Loans should therefore:

- Remove all interest, fees and charges from the outstanding balance on the loan, and treat any repayments made by Miss T as though they had been repayments of the principal.

If this results in Miss T having made overpayments, Everyday Loans should refund these overpayments plus 8% simple interest* calculated on the overpayments, from the date the overpayments would have been made, to the date the complaint is settled.

- Remove any adverse information recorded on Miss T's credit file in relation to this loan

* HM Revenue & Customs requires Everyday Loans to deduct tax from this interest. Everyday Loans must give Miss T a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons given above, I uphold Miss T's complaint. Everyday Lending Limited, trading as Everyday Loans, should put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 7 March 2020.

Alan Millward
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