

complaint

Mr L took out a loan in January 2017 with Everyday Loans Limited. He complains that Everyday acted irresponsibly, when it approved this loan. He says it incorrectly assessed that he could afford the loan repayments. He wants Everyday to refund all interest and other charges it has applied to this loan.

background

Everyday loaned £3,000 to Mr L over 36 months – he completed (early) repayment of this loan in September 2017. He said (and Everyday confirmed that) his total repayments were £5,475, and so he wanted a refund of £2,475 (plus interest).

Mr L initially complained to Everyday in mid September 2017. He said that his loan was unaffordable, and that his bank statements (provided when he applied to Everyday) would have shown that it would cause him added financial stress.

Everyday responded in early November 2017, saying:

- Based on the information supplied when he applied, he still had disposable income of about £480 per month, after taking into account other expenditures
- The purpose of his loan was to consolidate a credit card and his pay day loans
- It was satisfied that his loan was affordable, and that it had acted responsibly

Mr L replied in mid November 2017 to Everyday's response:

- He challenged the accuracy of Everyday's calculations
- He said that Everyday should have noticed signs of gambling addiction in the information he had supplied.

Everyday responded again in late November 2017, saying:

- The disposable income figure quoted in its first response was incorrect, for which it apologised
- Mr L's calculations indicated that his outgoing (including his Everyday loan repayments of just over £270 per month) marginally exceeded his income, and so his Everyday loan was not affordable
- But its revised calculations showed (using one set of figures) disposable income of a little over £80 per month, or (using another set of figures) just over £100 per month, after taking into account all other expenditures (including Everyday loan repayments)
- Based on this information, it had no evidence that his loan was unaffordable
- The information supplied when Mr L applied did show a very small number of gambling instances, about which he was asked – he told it at the time that he did not gamble regularly
- It was still unable to uphold his complaint

Mr L then referred his complaint to us. Our adviser thought it should be upheld. He felt the information provided in Everyday's second response demonstrates that Mr L's loan was unaffordable.

Everyday disagreed with our adviser. And so this complaint was referred for review by an ombudsman.

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 find that I have come to the same conclusion as our advisor, for similar reasons.

Everyday's first calculation of Mr L's disposable income was about £480 per month, and it concluded that he could afford loan repayments of just over £270 per month. This appears to be on the basis that his resulting disposable income would reduce to a little over £200 per month.

But, when disposable income was recalculated in the second response (and the Everyday loan included repayments), it dropped to about £80 per month or about £100 per month (depending on the figures used by Everyday). So, in round terms, his disposable income was actually between 40% and 50% of the figure used to determine affordability.

Mr L raised a question about gambling addition, to which I think that Everyday's response was fair and reasonable. I also note that Everyday apologised for incorrectly calculating Mr L's disposable income.

An incorrect calculation would not necessarily mean that Everyday had acted irresponsibly – but, in the circumstances of this complaint, I find that it does so. Everyday made a wrong lending decision, based on erroneous information.

Accurate information should have led Everyday to recognise that the loan Mr L applied for would result in added financial stress for him. And so I also find that it should now repay the interest and other charges it applied to this loan.

my final decision

For the reasons explained above, my final decision is that I uphold this complaint. In full and final settlement of it, I order Everyday Loans Limited:

To repay interest and other charges totalling £2,475, plus interest at 8% per annum simple from the dates of application to the date of settlement

If Everyday considers it has to deduct tax from the interest element of my award, it should send Mr L a tax deduction certificate when it pays him. He can then use that certificate to try to reclaim the tax, if he is entitled to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 June 2018.

Roy Mawford
ombudsman