

The complaint

Miss K1 is related to Miss K2. I will refer to them in this way to differentiate. Both Miss K1 and Miss K2 are represented by a third party.

Both Miss K1 and Miss K2 complain that Everyday Lending Limited (trading as Everyday Loans) gave them advice to take a joint loan together and it was lent irresponsibly. Both Miss K1 and Miss K2 complain that Everyday Lending Limited has caused them distress, and inconvenience.

What happened

This is the final determination following two provisional decisions (PDs) issued 3 May 2022 and 27 May 2022, both of which are duplicated in this decision for completeness and for ease of reading. They are deliberately in smaller type to differentiate them from this decision.

Using information from all the parties, here is a brief table of the approved loans including the two approved individually before the joint loan (loan 3). This complaint is about the joint loan only which I have referred to as Loan 3.

Loan	Approved	Amount	Monthly Repayment amounts	Term	Settled or outstanding
1 Miss K1	21 October 2020	£1,500	£134.67 (rounded £135)	24 months	Settled into loan 3
2 Miss K2	25 November 2020	£1,000	£121.90 (rounded £122)	18 months	Settled into loan 3
3 Joint loan	16 April 2021	£3,600	£277.68	36 months	Defaulted December 2021

The loans approved to each individually were consolidated into the third loan taken jointly. Of the £3,600 capital borrowed on loan 3, Miss K1 and Miss K2 received £1,097.70 in cash.

The interest over the three years on the joint loan (loan 3) was calculated to be £6,396.48 making a total of just under £10,000 to repay.

After I issued my first PD I have learned that the £1,097.70 was paid into Miss K2's bank account who then transferred – effectively – all of it to Miss K1.

Miss K1 has complained about loan 1 and that is the subject of a separate complaint which has been considered by the Financial Ombudsman. Loan 1 is relevant to the lending relationship history for loan 3.

Miss K2 has not complained about the loan approved for her alone – loan 2 – as she considered that affordable at £122 (rounded figure) each month and so I have not reviewed it but it is relevant within the overall lending relationship history.

The representative for both complainants has said that each claim irresponsible lending and say that to put things right Everyday Lending should do as follows:

- *Remove [Miss K2] from the joint loan and reinstate [loan 2] so she can repay this at £121 per month as previously agreed and remove any negative information from her credit file.*
- *Remove all interest, charges and statutory interest from both of [Miss K1's and Miss K2's] loan agreements; and*
- *Compensate both [Miss K1 and Miss K2] for the distress this situation has caused them.*

In its final response letter Everyday Lending explained that it had carried out proportionate checks and that it considered the loan was affordable having calculated the joint expenses and joint income.

Everyday Lending said in its FRL that the joint income was £1,846 and the joint expenditure (including a 10% margin to cover all for unexpected outgoings) came to £1,472. Everyday Lending then added in the amounts each would not have to pay when consolidating their individual loans followed by the new loan 3 repayments of over £277 each month. And the figure it calculated the pair would be left with was just over £353 each month.

One of our adjudicators looked at the complaint and did not think that Everyday Lending had done anything wrong.

Miss K1 and Miss K2 disagreed with this outcome and their representative said to us that even though the combined repayment for Loan 3 was only £20 a month more than the two individual repayment amounts for loans 1 and 2, the term for loan 3 was much longer – 36 months. The representative said that consolidating the loans resulted in the two parties paying interest on the consolidated borrowings. Added to which, the representative has pointed out that the direct debit for the joint loan was set up on Miss K2's bank account alone, not that belonging to Miss K1.

The unresolved complaint was passed to me to decide.

Everyday Lending sent to me the statements of account for loans 1 and 3 and explained that the last payment it received for loan 3 was in May 2021. A statement of account I have seen suggests that Everyday Lending on 10 June 2021 attempted to take payment but it was noted as a returned BACS payment and so did not go through. That loan 3 account was defaulted in December 2021.

Duplicated PD dated 3 May 2022

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about unaffordable/irresponsible lending – including all the relevant rules, guidance, and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Everyday Lending completed reasonable and proportionate checks to satisfy itself that the complainants would be able to repay in a sustainable way? And, if not, would those checks have shown that they would've been able to do so?

If I determine that Everyday Lending did not act fairly and reasonably in its dealings with the complainants and that they have lost out as a result, I will go on to consider what is fair compensation for each.

The rules and regulations in place required Everyday Lending to carry out a reasonable and proportionate assessment of the complainants' ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Everyday Lending had to think about whether repaying the loan would be sustainable. In practice this meant that the business had to ensure that making the repayments on the loan wouldn't cause the complainants' undue difficulty or significant adverse consequences. That means each should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment each had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on their financial situation.

In other words, it wasn't enough for Everyday Lending to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on the complainants. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumers (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for the complainants' complaint.

Everyday Lending carried out some checks before it lent to the complainants. This included asking for details of their income and expenditure, carrying out a credit check on each, requesting proof of income and/or payslips and bank statements. It calculated the complainants' regular living expenses using statistical data and assessed their monthly credit commitments. I've seen a summary of the information gathered by Everyday Lending, including the credit report and bank statements provided to it at the time.

Both Miss K1 and Miss K2 earned less than £1,000 a month which I consider to be a low income. And Miss K1's main source was from benefits. Miss K2 was new to her job and junior in her role.

For the joint loan for both Miss K1 and Miss K2, I consider that as Loan 3 was going to be for a larger sum than loans 1 and 2, was a three year commitment and that both were applying together, I think that full financial reviews of both were appropriate. Especially as I understand from account notes provided to me by Everyday Lending that Miss K1 approached Everyday Lending a few months after taking loan 1 (in March 2021) asking for more credit. Everyday Lending did not think it could lend at that point as Miss K1 had only been repaying Loan 1 for a few months. Following this, the suggestion was made that Miss K1 and Miss K2 apply together for a loan.

Then on 14 April 2021 Miss K2 called to ask for a top-up and was informed by Everyday Lending that as she had made five payments only up to that point, and due to her age then its policy did not allow top-ups. So, the note says that she (Miss K2) would call Miss K1 to do a joint loan.

On 16 April 2021, the account note says that the initial request for the joint loan was from Miss K1 and that Miss K2 was happy to 'go joint' with Miss K1.

Everyday Lending obtained credit searches for Miss K1 and Miss K2. And the borrowers have sent to me their own personal credit files. I can see that Miss K2 had very little credit history and as she was living at home with Miss K1 then her outgoings were limited. She had some other expenses and a modest amount of other credit.

Added to which I have the copy bank statements they provided to Everyday Lending at the time of the application in April 2021. I have reviewed them all.

The joint income for Miss K1 and Miss K2 was calculated to be just over £1,846 - £895.59 plus £950.44.

The creditor repayments for both Miss K1 and Miss K2 has been recorded in the loan 3 application details as around £427 and recorded as £448 – it's not explained why there are two different figures for this element.

Everyday Lending had recorded that the joint living expenses were £998. Everyday Lending noted down that the 'remaining income' was £353.75.

Miss K1 was paying around £135 for her existing Everyday Lending loan and it had nine and a half months left to run. Miss K2 was paying around £122 for her existing Everyday Lending loan and it had around six and a half months left to run. The new loan repayment split between them was meant to cost each just under £139 a month over three years.

The direct debt set up to pay for this loan was set up on Miss K2's account only. I have received no explanation why a joint loan was set up to be paid for by one party.

I have read two sets of notes which does suggest to me that there were some charges involved in arranging for loan 1 and loan 2 to be '*renewed*' into loan 3. These combined were £422.40. A Statement of Account has been sent to me.

The Universal Credit information relating to Miss K1 shows that a large portion of her rent was paid directly to her landlord by Universal Credit. The representative has said that Miss K1 was paying £122 extra each month for the rent but I am not clear on this as the Universal Credit documents I have seen suggest that the shortfall between what it paid to her landlord and what Miss K1 had to pay was about £26 for the month. So, without more evidence I am proceeding on the basis that the rent cost to Miss K1 was £26 a month.

Miss K1 was paying back some advance funds and a crisis loan. Added to which, before Miss K1's first loan with Everyday Lending I have seen a record that she was given a government hardship fund sum of money in September 2020.

Miss K1 at the time she was applying for this joint loan also owed a home credit provider a significant sum of money. Miss K1 provided to Everyday Lending details of that loan and a recent statement of account which showed she still owed it over a thousand pounds and had been paying that loan off intermittently since its inception in December 2020. That would have suggested Miss K1 had been finding it difficult to keep up with those repayments.

Miss K1 also had some shopping credit accounts and a 'buy now pay later' account. She also had two credit cards which were at their limits. The Universal Credit documents Everyday Lending had showed that Miss K1 had obtained Advance Payments from it which she was repaying and had obtained a crisis loan which was also being deducted to pay back to Universal Credit. As these deductions had already been factored into the amounts she received each month from Universal Credit then these

may not have altered the figures, but they demonstrate that Miss K1 had a history of requiring these advance payments and crisis loans. And Everyday Lending had documents to demonstrate this to it.

Everyday Lending would have known from Miss K1's original application to it in October 2020 – details of which I have seen from her other complaint – that Miss K1 was in a similar position then as to when she was needing more credit from Everyday Lending in April 2021.

These details added to the history leading up to this joint loan where for Miss K1 to have a fresh loan on her own was not something Everyday Lending was satisfied to proceed with.

The commitment for both was for three years and the repayment was significant even though it was to be shared, I have gathered that Miss K1 on her own would not have been awarded this loan. So, the onus was more on Miss K2's earning power than on Miss K1 who relied on benefits mainly.

Everyday Lending has sent us its records of the application process in which it appears to have calculated as follows:

- that the joint income was £1,846 and the joint expenditure (including a 10% margin to allow for unexpected outgoings) came to £1,472.
- Everyday Lending then added in the amounts each would not have to pay when consolidating their individual loans followed by the new loan 3 repayments of over £277.
- and the figure it calculated the pair would be left with was just over £353.

But it is not clear from its Office of National Statistics data it used whether that included food.

Either way, £353 divided between the two of them would have been around £176 each for the month 'left over'. And so, on a pounds and pence calculation the loan may have looked affordable.

But as this was a joint loan and the second one for each I think that the histories of each were important. I've demonstrated above that each had reasons, so far as Everyday Lending was concerned, as to why top-up or a further loan was not acceptable.

But a joint application does not necessarily 'cure' those reasons just by reason of being joint. The extended debt burden on each was significant for a relatively small gain to each. Miss K1 had her debt burden extended from 9.5 months to 3 years with a net gain of around £548 cash plus Miss K2 had her debt burden extended from about 6.5 months to three years for a net cash gain of around £548.

This overall picture seems too heavy a burden for two relatively low earners where one relied on benefits and was a single mother of young children.

The last payment made towards loan 3 was in May 2021 as the Everyday Lending account notes record that Miss K2 said she could not continue to pay the full amount. This was only a month after the loan had commenced. My current understanding is that the account was defaulted in December 2021.

I've thought carefully about the significance of the account notes which show that the suggestion for a joint loan may have come from Everyday Lending. And each party – Miss K1 and Miss K2 – did not appear, individually, to have been acceptable to receive fresh loans/top-up loans. And somewhere along the line this joint loan suggestion was proceeded with.

Whether that was the case or not, I don't think that suggestion was appropriate. Miss K2 has indicated that she may have felt that it had been difficult to say 'no' to her mother (Miss K1) which seems to allude to the idea of the joint loan. And I cannot attribute any blame about that to Everyday Lending as ultimately the decision to take the loan was for Miss K1 and Miss K2 to make.

But, looking at the complaint as a whole, considering all that I have and knowing the history of the lending in relation to Miss K1 and her first loan before applying for loan 3, I plan to apply my fair and reasonable remit and uphold this complaint. It seems too much like a pure mathematical calculation that together they could be indebted to this extent when I think that Everyday Lending had an

obligation to look at the overall picture as well. As I have said earlier, it wasn't enough for Everyday Lending to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Miss K1 and Miss K2.

For Miss K1, the repayment may not have been too much different but she was needing more credit relatively soon after taking loan 1 and her repayments to the other home credit lender had not been regular but rather erratic. And Everyday Lending knew this as it had seen a copy of that Statement of Account.

For Miss K2, the increase from £122 to £139 for a further three years was a stretch and in my view too much of a debt for too long a period.

I am planning to uphold this complaint for both complainants.

Their representative has asked that there be additional compensation paid for the distress and inconvenience caused to them. But having thought about this carefully I have decided not to award anything more. The usual redress is enough in my view to make the loan more manageable. Having obtained the benefit of the capital – some of which I know was used to pay down the earlier loans (loans 1 and 2) – then it is right that Miss K1 and Miss K2 repay what they owe to Everyday Lending.

And it is not right that I ask Everyday Lending to reinstate closed loans or remove one of the parties to loan 3 from the loan 3 agreement. Their representative needs to provide additional financial information to assist in ensuring the redress is fair between Miss K1 and Miss K2.

Duplicated PD dated 27 May 2022

This is the end of the duplicated first provisional decision. I have not set out here what I said in the planned redress section in that first provisional decision as I have changed my view on that.

I do repeat here the table I created using information received from Everyday Lending. 'Contra Advance' refers to the payments to clear loans 1 and 2.

Date	Type of transaction	Type	Transaction value	Running total
16/04/2021	ADV	Advance	-£1,097.70	£1,097.70
16/04/2021	ACON	Contra Advance	-£924.26	£2,021.96
16/04/2021	ACON	Contra Advance	-£1,578.04	£3,600.00

How did both parties respond to the first provisional decision?

Everyday Lending responded to say that it agreed with my provisional decision and said '*we are prepared to take the remedial action requested should her decision be accepted by the complainants.*'

As I have altered the proposed redress in this second provisional decision then Everyday Lending has more time to respond.

Miss K1 and Miss K2's responses, through their representative, are summarised and paraphrased here:

- the £1,097.70 cash advance from loan 3 was paid into Miss K2's bank account and the payments for loan 3 were made from that account to Everyday Lending
- some transactions took place between Miss K1 and Miss K2 in which money was passed between them
- Miss K1 has said she will accept responsibility for repaying loan 3 but has not paid anything towards it so far

- The 'Contra Advance' of £1,578.04 related to Miss K1's original loan and included a charge of £246.42 to consolidate this loan which needs to be deducted as it only arose as a result of the consolidated loan
- The £924.26 'Contra Advance' related to Miss K2's original loan and included a charge of £175.98 to consolidate the loan. So, Miss K2's outstanding balance on Loan 2, had it continued, was £748.28 and so Miss K2 says that is what she should pay, less the first loan 3 instalment of £277.68
- Everyday Lending coerced Miss K2 into taking the loan 3 additional borrowing
- *'Neither party would have been in this position if Everyday Loans had not suggested [they] apply for the joint loan.'*
- Their representative asked for clarity on how the individual credit file records will look going forward

Coercion and blame

As I outlined in my first provisional decision, I do not have enough evidence to lead me to conclude that any Everyday Lending representative coerced or were at fault for this joint loan being entered into. Ultimately it was for Miss K1 and Miss K2 to decide what to apply for.

Sums to repay

Miss K1's representative referred to the final decision on her first loan and submits that the sum consolidated into loan 3 (£1,578.04) ought not to be money for which Miss K1 is liable on loan 3 as it relates to loan 1 which has been the subject of another successful complaint for Miss K1 and so that ought to be accounted for.

As Everyday Lending has said it accepts my provisional decision findings then in relation to the facts of the case and the justification for the uphold, there seems to be no dispute. So, I have not readdressed any of those points here.

In relation to the redress for loan 3, then I have decided to issue a second provisional decision as I do not think that the redress in the previous provisional decision was as it should have been. The submissions made by the representative for Miss K1 and Miss K2 need to be addressed.

I make it clear now, that individual and private financial arrangements as between Miss K1 and Miss K2 are not part of my remit and I have not made any findings as to what each should do going forward other than outline what I think needs to be repaid to Everyday Lending. Both need to be aware that they are jointly and severally liable for loan 3. I note that Miss K1 has said she considers herself responsible for paying back loan 3, but I make no direction in relation to that as it is beyond my remit. It will be a matter for Miss K1 and Miss K2 to make their own financial arrangements.

Putting things right – what I am planning to ask Everyday Lending to do

Having considered the information and submissions sent to me by Miss K1 and Miss K2's representative, and having reviewed the statements of account for loans 1 and loan 3, I am revising my planned redress for Miss K1 and Miss K2.

Where a business has done something wrong, the Financial Ombudsman usually aims to put the consumer back in the position they would've been in had the incident not occurred. However, in cases where a business has lent irresponsibly, this isn't always entirely possible – as the lending provided cannot be undone.

In this case, I think it's fair that Miss K1 and Miss K2 should only have to repay the capital monies they borrowed and had the use of – some of it was a cash advance of £1,097.70 and some of it to repay their earlier loans respectively.

However, Miss K1's previous loan – loan 1 – was absorbed into loan 3 and as that was a loan which was considered to have been lent irresponsibly (I reference the earlier complaint) then the redress in this complaint cannot act to negate that ombudsman's decision. What I mean by this, is that I do not consider it right or fair that the part of Loan 1 which would have represented the interest part of loan 1,

and was absorbed into loan 3, is now included in the outstanding balance for loan 3 considering the decision made on that first complaint – that it was irresponsibly lent.

Miss K1's representative is right when she points out that not all of the £1,578.04 from loan 1 can be expected to be repaid to Everyday Lending as part of the sums owed on loan 3.

My planned aim is for Everyday Lending to rework the accounts for Miss K1 for both loan 1 and loan 3 to ensure that only the capital sum still owing in relation to loan 1 is repaid to it as that would be in keeping with the earlier decision relating to loan 1. Inevitably, that will alter the sums owed on loan 3.

The separate decision in relation to loan 1 will stand alone and will need to be actioned independently of this decision as well.

And after the accounts have been reworked then the loan 3 sum owed (without the additional charges to consolidate, without any additional charges added since April 2021, and without the interest on loan 3) will be a different figure.

With this in mind, and without stipulating figures, I have set out a series of steps to be undertaken by Everyday Lending to get to the point at which I consider the sums to be repaid by Miss K1 and Miss K2 will be fair and reasonable sums for loan 3, reflecting the appropriate and fair sums for loans 1 and 2. It would be useful for Everyday Lending to calculate these figures and present them to us following this second provisional decision.

I appreciate that no complaint has been brought in relation to loan 2 and Miss K2 has always said she was content to pay that loan down.

I am planning to ask Everyday Lending to put things right for Miss K1 and Miss K2 by doing as follows:

- remove all unpaid interest and charges (including the charges incurred when consolidating loans 1 and 2 into loan 3) from loan 3
- any payments made towards loan 3 are to be treated as capital payments and that the amount owed on loan 3 is reduced accordingly. I understand one instalment has been paid on 10 May 2021
- as part of this calculation, Everyday Lending is to use the information it has about loan 1 to calculate how much Miss K1 had paid towards the capital owed on loan 1 (free of interest and charges to comply with the decision on the complaint about loan 1), and the figure that would have been owed to it at the point loan 3 was taken out is the figure to be treated as part of the capital balance on loan 3
- for Miss K2's loan (loan 2) remove the charge made for consolidating the loan and that outstanding balance figure is to be treated as part of the capital sum owed in relation to loan 3
- add to the above figures being treated as capital sums the £1,097.70 cash advance
- remove any of the remainder and treat the balance as what is left for Miss K1 and Miss K2 to pay
- if any capital balance remains outstanding (which I consider likely) then Everyday Lending should attempt to arrange an affordable and suitable payment plan with each, or with one, of the parties to the agreement
- While I think it's fair that their respective credit files are an accurate reflection of their financial history, I don't think it's fair that they should be disadvantaged by Everyday Lending's decision to lend to them irresponsibly. So, I am planning to direct that Everyday Lending removes all negative information from each of Miss K1's and Miss K2's credit files in relation to loan 3 but this need only be done when loan 3 has been repaid.

- as a default has been recorded in December 2021, any further action stemming from that default needs to be suspended while a satisfactory repayment plan is put in place and maintained

My provisional decision (the second one in relation to this complaint) is that I plan to uphold Miss K1's and Miss K2's complaints and I plan to direct that Everyday Lending Limited does as I have outlined above.

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.

How did each party respond to the second PD issued 27 May 2022?

Everyday Lending has been contacted twice about this second PD to alert it to the fact I altered the redress in my second PD. It has not responded.

The representative for Miss K1 and Miss K2 has replied in detail and there are some elements of it which need to be addressed for clarity.

Miss K1 and Miss K2's response to the second PD

The representative sent to us an Everyday Lending letter in relation to Miss K1's complaint about loan 1 and the ombudsman's decision on that complaint. That letter appears to have been addressed to Miss K2 but it relates to the loan for Miss K1 and so I take that as being a clerical error. It refers to the loan agreement ending *1265 taken in October 2020 which was the one Miss K1 took and I have referred to in these PDs and this decision as loan 1.

In the letter about the complaint on loan 1, Everyday Lending says: *'You borrowed £1500 in October 2020. By the time the loan was settled, you had repaid £2184.19 making an overpayment of £684.19 more than the amount borrowed.'*

As I said in the redress section of my second PD, Everyday Lending is to use the information it has about loan 1 to calculate how much Miss K1 had paid towards the capital owed on loan 1 (free of interest and charges to comply with the decision on the complaint about loan 1), and the figure that would have been owed to it at the point loan 3 was taken out is the figure to be treated as part of the capital balance on loan 3.

This letter from Everyday Lending to Miss K1 about loan 1 and that settlement tells me that Miss K1 has effectively extinguished the liability on that loan after the interest had been removed and the payments made had been factored in. I do not carry out the calculations for redress and so as Everyday Lending and Miss K1's representative has this information that seems to be the position for loan 1. But I leave it to them to check this.

And – that being the position presented to me by Miss K1's representative and Everyday Lending then it seems that there is no capital left to repay for loan 1.

So, I repeat what I set out in the second PD for redress in the 'putting things right' section below.

The representative for Miss K1 and Miss K2 has gone on to make further representations in response to my second PD and I deal with each in turn here:

- The representative has suggested that I have altered my position in relation to the liability each party has under the joint loan 3. I have not. A joint loan means in law that the parties are jointly and severally liable. I have not made a finding or a direction about that. My remit does not extend to restructuring a legal agreement.

In the redress section for the first PD dated 3 May 2022 I said: *'And it is not right that I ask Everyday Lending to reinstate closed loans or remove one of the parties to loan 3 from the loan 3 agreement.'*

And I said that because it is not possible for me to do that. My position on this has not altered.

- I made it clear in both PDs that I did not consider I had evidence to show coercion on the part of the Everyday Lending representatives and I maintain that to be the position.
- Any private financial arrangements between Miss K1 and Miss K2 is a matter for them and I make no direction about that as it is beyond my remit. I resolve the complaint between the parties as complainants and the respondent business – Everyday Lending – not as between individuals outside the agreement.
- I take the point that removal of the default after the loan has been repaid may be too much of a burden on both parties. The default arose because neither party paid anything towards loan 3 after May 2021. Now it is in place, my redress on that part has been amended slightly.

Putting things right

Everyday Lending needs to put things right for Miss K1 and Miss K2 by doing as follows:

- remove all unpaid interest and charges (including the charges incurred when consolidating loans 1 and 2 into loan 3) from loan 3
- any payments made towards loan 3 are to be treated as capital payments and that the amount owed on loan 3 is reduced accordingly. I understand one instalment has been paid on 10 May 2021
- as part of this calculation, Everyday Lending is to use the information it has about loan 1 to calculate how much Miss K1 had paid towards the capital owed on loan 1 (free of interest and charges to comply with the decision on the complaint about loan 1). The figure that would have been owed to it at the point loan 3 was taken out is the figure to be treated as part of the capital balance on loan 3. Recent information received by Miss K1's representative following the decision on loan 1 suggests that the figure is nil. But I leave it to Everyday Lending to calculate.
- for Miss K2's loan (loan 2) remove the charge made for consolidating the loan and that outstanding balance figure is to be treated as part of the capital sum owed in relation to loan 3
- add to the above figures being treated as capital sums the £1,097.70 cash advance
- remove any of the remainder and treat the balance as what is left for Miss K1 and Miss K2 to pay
- if any capital balance remains outstanding (which I consider likely) then Everyday

Lending should attempt to arrange an affordable and suitable payment plan with each, or with one, of the parties to the agreement

- while I think it's fair that their respective credit files are an accurate reflection of their financial history, I don't think it's fair that they should be disadvantaged by Everyday Lending's decision to lend to them irresponsibly. So, I direct that Everyday Lending removes all negative information from each of Miss K1's and Miss K2's credit files in relation to loan 3 but this need only be done when loan 3 has been repaid.
- as a default has been recorded in December 2021, any further action stemming from that default needs to be suspended while a satisfactory repayment plan is put in place and maintained. The equitable and effective method to do that is to remove the default immediately. All other adverse information can be removed once loan 3 has been repaid.

As so little has been paid towards the capital sums owed on Loan 3, then I doubt any refund is due to either party. If any refund is due then HMRC does require that the 8% interest repayable on that refund attracts tax and has to be deducted. If this occurs with this complaint then either party is entitled to a certificate to show that deduction if she asks for it.

My final decision

My final decision is that I uphold the complaint in part about loan 3 and I direct that Everyday Lending Limited does as I have outlined in this final determination.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K1 and Miss K2 to accept or reject my decision before 27 July 2022.

Rachael Williams
Ombudsman