The complaint

Miss C complained that Everyday Lending Limited (ELL) trading as GeorgeBanco.com lent to her irresponsibly and provided her with unaffordable lending.

What happened

ELL provided loans to Miss C as follows:

Date taken	Capital loan amount	Term	Monthly repayment	Total amount repayable	Loan status
August 2018	£2,500	18 months	£198.99	£3581.82	Paid February 2019
February 2019	£3,500	30 months	£188.44	£5,653.20.	unknown

When Miss C complained to ELL it didn't uphold her complaint so she brought her complaint to us. One of our investigators looked at the complaint and thought that ELL shouldn't have provided these loans. Our investigator set out directions indicating what ELL should do to put things right.

Miss C accepted our investigator's view. ELL disagreed. It mainly said that it wasn't satisfied that our investigator had properly explained why she was upholding the complaint.

So, as the complaint hasn't been resolved, it comes to me 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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint. I'd like to reassure ELL that I've looked at the complaint afresh – and I've independently reached the same conclusions as our investigator and I am upholding Miss C's complaint for broadly the same reasons. I'll explain why I say this.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

I have reviewed the information ELL gathered when it agreed to provide these loans. Alongside asking Miss C what her regular outgoings were each month, ELL also carried out its own credit checks to understand Miss C's credit history and current credit commitments and it took steps to verify that her declared income was around £1,200 per month.

ELL worked out that Miss C should've had disposable income left after paying for these loans on top of all her other monthly spending – so it felt that both loans were affordable for her.

But, whilst having other outstanding lending or even an impaired credit history wouldn't be unusual for a borrower applying for this type of expensive borrowing, and it wouldn't necessarily be a bar to lending, I don't think ELL took properly into account what the information it had gathered showed about Miss C's overall financial situation and the likelihood of her being able to pay its loans in a sustainable manner.

I think ELL should have been concerned to see that when Miss C applied for loan 1, it was evident that the amount she would need to pay to service the existing credit commitments ELL saw in the credit report it acquired alongside its new loan would cost Miss C at least 35% of her verified income, even if she used some of the loan to pay credit card debt.

And Miss C had told ELL that the loan was also for home improvements – so it knew that it would likely add to her overall indebtedness.

I think it's fair to say that Miss C needed to pay such a significant portion of her income towards credit I don't think ELL was reasonably able to be satisfied in these circumstances that Miss C would be able to make its loan repayments in a sustainable way. So I don't think ELL should've provided loan 1.

The fact that Miss C made the loan repayments on time doesn't mean that she was able to do so in a way that was sustainably affordable.

I think her increasing dependency on credit was borne out by the fact that she topped up her borrowing when she took out loan 2 which she used to clear the outstanding balance on loan 1 and provide her with some extra cash to buy a new bed.

The credit checks ELL carried out showed that Miss C didn't appear to have used loan 1 to repay any credit card debt – both her credit cards were close to their account limits. She had opened new accounts since taking out loan 1 and her total indebtedness had increased. Miss C was already committed to paying around a third of her income towards supporting her existing credit debt. ELL was aware that this loan would add to her overall debt and boost the amount of her spending on credit each month. In my opinion, as a responsible lender, ELL should've realised that Miss C would likely struggle to repay this loan – especially bearing in mind the 30 month loan term.

Thinking about all the information ELL had gathered, I can't reasonably say that it made a fair lending decision based on the information in front of it. I don't think ELL was able to safely conclude that its loan would be sustainably affordable for Miss C. So it shouldn't have provided it and ELL needs to put things right.

So, I am upholding Miss C's complaint that she should not have been given either of these loans.

Putting things right

Our investigator didn't recommend that ELL should pay any additional redress. Miss C hasn't commented on that and I haven't seen anything which makes me think ELL acted unfairly towards Miss C in any other way. So I'm not awarding any additional redress.

And I think it is fair and reasonable for Miss C to repay the capital amount that she borrowed, because she had the benefit of that lending. But she has paid extra for lending that should not have been provided to her. In line with this Service's approach, Miss C shouldn't repay more than the capital amount she borrowed.

ELL should do the following:

- add up the total amount of money Miss C received as a result of having been given loans 1 and 2. The repayments Miss C made should be deducted from this amount

- if this results in Miss C having paid more than she received, then any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement)

- If any capital balance remains outstanding, then ELL should attempt to arrange an affordable/suitable payment plan with Miss C

- whilst it's fair that Miss C's credit file is an accurate reflection of her financial history, it's unfair that she should be disadvantaged by any adverse information recorded about a loan that was unfairly provided. So ELL should remove any negative information recorded on Miss C's credit file regarding loans 1 and 2.

*HM Revenue & Customs requires ELL to deduct tax from this interest. ELL should give Miss C a certificate showing how much tax has been deducted if she asks for one.

My final decision

I uphold Miss C's complaint and direct Everyday Lending Limited (ELL) trading as GeorgeBanco.com to take the steps I've set out above to put things right.
Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 25 April 2022.

Susan Webb
Ombudsman