

The complaint

Miss M complains that Everyday Lending Limited trading as Everyday Loans (Everyday) lent her money on high cost loans that she couldn't afford to repay, and that it intends to apply a refund in interest to a loan she has no complaint about.

What happened

Everyday provided Miss M with the following loans:

| | Date taken | Amount | Loan status |
|--------|--------------|---|----------------------------------|
| Loan 1 | October 2018 | £1,500 | Settled when new loan taken out |
| Loan 2 | 2 March 2020 | £3,275 (part of which was used to settle previous loan) | Settled when new loan taken out. |

Everyday provided Miss M with a third loan in January 2022 (loan 3). This loan was used in part to discharge the balance on loan 2, of £1,400 (rounded up slightly). Miss M has made it clear to us that she has no complaint concerning loan 3 and believes that Everyday carried out proper affordability checks in respect of that loan. She has continued to pay the instalments on that loan. She complained to Everyday that loans 1 and 2 were unaffordable.

Everyday accepted that loans 1 and 2 shouldn't have been issued to Miss M. It agreed to refund the interest and charges for loans 1 and 2. However it proposed to apply the refund against loan 3 against the amount owing on that loan. It also said it had fairly assessed that loan 3 was affordable for Miss M. Miss M didn't agree that the repayment should be applied against loan 3, and referred her complaint to us.

Our adjudicator reviewed the complaint and found that loan 3 was unaffordable for Miss M and the interest on that loan should be refunded.

I issued a provisional decision. In it I said that in respect of any repayment of interest on loans 1 and 2, Everyday should pay this directly to Miss M. This was save for the interest of £1,400 which was absorbed into loan 3.

Everyday hasn't made any comments on my provisional findings. Miss M raised a query about loan 3, which I have dealt with below.

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.

The following were my provisional findings:

"loans 1 and 2

Everyday has accepted that these loans were unaffordable so it proposed that it refund all interest and charges for both loans, and to remove any adverse information concerning these loans from Miss M's credit file. As this would be the normal remedy for a complaint about unaffordable loans I think the offer is reasonable and I will direct accordingly. It would be normal to add 8% interest to any refunds of interest so I will do that too.

As for how the refund will be paid, Everyday proposes to reduce loan 3 by the amount of the refund, whereas Miss M wants the refund to be paid directly to her.

I've noted that Miss M wants the interest refund to be paid directly to her and that she wants to continue paying for loan 3. She should be aware that the rate of interest she is paying on loan 3 will be much higher than the rate Everyday will be paying on the interest refund.

However given that I think that, as loan 3 is a new contract, and both parties agree that it was fairly provided, the whole refund of interest doesn't have to be applied to loan 3. But as £1,400 of loan 3 went to settling the balance of loan 2, it would be reasonable in my view for that amount (plus interest) to be applied to loan 3, thus reducing the balance. The balance of any refund of interest in respect of loans 1 and 2 may be paid directly to Miss M.

loan 3

As both Everyday and Miss M agree that this loan was fairly provided, I don't intend to take any further action, save for the application of the refund in respect of loans 1 and 2, as I've stated above.

compensation

Whilst I appreciate that this has caused stress to Miss M, the normal remedy in respect of an unaffordable loan would be to require that the interest and any charges be refunded. As that will be done, I don't intend to award any additional compensation."

Miss M raised a query about loan 3 but has since reconfirmed that she doesn't want the affordability of loan 3 to be considered by me. So I confirm that I haven't considered loan 3 or any issue concerning its affordability. Save for that, my provisional findings are now final and form part of this final decision.

Putting things right

I require Everyday, in respect of loans 1 and 2, to:

- Remove all interest, fees and charges applied to the loans.
- Treat any payments made by Miss M as payments towards the total capital amount.
- If Miss M has paid more than the capital, refund any overpayments to her with 8% simple interest* from the date they were paid to the date of settlement.
- To apply £1,400 of the said refund plus 8% interest* towards loan 3 and to pay the balance directly to Miss M.

- Remove any adverse information about the loans from Miss M's credit file.

*HM Revenue & Customs requires Everyday to deduct tax from this interest. It should give Miss M a certificate showing how much tax it's deducted if she asks for one.

My final decision

I uphold the complaint and require Everyday Lending Limited trading as Everyday Loans to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 19 July 2022.

Ray Lawley
Ombudsman