

Complaint

Ms B has complained about personal loans Everyday Lending Limited (trading as “Everyday Loans”) provided to her. She says that the loans were unaffordable and so shouldn’t have been provided to her.

Background

Everyday Loans initially provided Ms B with a first loan for £1,200.00 in July 2016. This loan had an APR of 106.8% and a term of 24 months. This meant that the total amount to be repaid of £2,403.36, including interest, fees and charges of £1,203.36, was due to be repaid in 24 monthly instalments of just over £100.

Everyday Loans then provided Ms B with a second loan for £1,500.00 in February 2021. This loan had an APR of 99.9% and a term of 24 months. This meant that the total amount to be repaid of £2,766.96, including interest, fees and charges of £1,266.96, was due to be repaid in 24 monthly instalments of just over £115.

One of our adjudicators reviewed Ms B’s complaint and she thought Everyday Loans didn’t do anything wrong when providing loan 1. But she also that Everyday Loans ought to have realised that it shouldn’t have provided Ms B with loan 2. So she thought that Ms B’s complaint should be partially upheld.

Ms B didn’t disagree with our adjudicator’s assessment but Everyday Loans disagreed with the outcome on loan 2. So the case was passed to an ombudsman for a final decision. As the parties appear to be in agreement on the outcome reached for loan 1, this decision on only looking at whether Everyday Loans should have provided Ms B with loan 2.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Ms B’s complaint. Having carefully considered everything I’ve decided to uphold Ms B’s complaint. I’ll explain why in a little more detail.

Everyday Loans needed to make sure it didn’t lend irresponsibly. In practice, what this means is Everyday Loans needed to carry out proportionate checks to be able to understand whether Ms B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the

amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

It isn't in dispute that Ms B got into difficulty repaying loan 1 and that she ended up in a debt management plan. This resulted in Ms B not settling loan 1 until 2020 even though this loan was only supposed to have run for 2 years. In these circumstances, I would have expected Everyday Loans to have kept this difficulty in repaying loan 1 in mind from a creditworthiness point of view, let alone an affordability one, when it was deciding whether to provide loan 2 to Ms B.

The information Everyday Loans has provided suggested that it carried out credit checks before loan 2 was provided. The results of which showed that Ms B had once again accumulated a significant amount of existing debt – despite it not being that long since she left her debt management plan. And while there's some suggestion this loan might have been for debt consolidation, the amount didn't correspond to what Ms B owed.

It's therefore unclear to me how or what was going to be consolidated and more crucially how this was going to improve Ms B's financial position – especially bearing in mind this loan had a much higher interest rate than some of Ms B's existing debts. I'm also mindful that Everyday Loans relied on the use of average data to calculate Ms B's living expenses. This is despite the fact that her credit file showed she didn't fit the profile of the average borrower.

All of this leaves me persuaded by what Ms B has said about already being in a difficult financial position at the time. And while it's possible Ms B's financial position wasn't as a result of financial difficulty, I'd add that my experience of these types of cases suggest this is unlikely, in the absence of any reasonable or plausible arguments from Everyday Loans, I've been persuaded to accept Ms B's version of events here.

As this is the case, I do think that Ms B's existing financial position meant that she was unlikely to be able to afford the payments to loan 2, without undue difficulty or borrowing further. And I'm satisfied that, bearing in mind what had happened on loan 1, reasonable and proportionate checks would more like than not have shown Everyday Loans that it shouldn't have provided loan 2 to Ms B. As Everyday Loans provided Ms B with loan 2, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Ms B ended up paying interest, fees and charges on a loan she shouldn't have been provided with. So I'm satisfied that Ms B lost out because of what Everyday Loans did wrong and that it should put things right.

Fair compensation – what Everyday Loans needs to do to put things right for Ms B

Having thought about everything, Everyday Loans should put things right for Ms B by:

- refunding all interest, fees and charges Ms B paid on loan 2;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Ms B to the date of settlement†;
- removing all adverse information it recorded on Ms B's credit file as a result of loan 2.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Ms B a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Ms B's complaint. Everyday Lending Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 3 October 2022.

Jeshen Narayanan
Ombudsman