

Complaint

Miss M has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to her. She says the loan was unaffordable.

Background

Everyday Loans provided Miss M with a loan for £1,500.00 in June 2019. This loan had an APR of 181.0% and a term of 18 months. This meant that the total amount to be repaid of £3,112.02, including interest of £1,612.02, was due to be repaid in 18 monthly instalments of just under £175.

One of our adjudicators reviewed Miss M’s complaint and she thought Everyday Loans shouldn’t have provided Miss M with her loan. So she thought that Miss M’s complaint should be upheld.

Everyday Loans disagreed with our adjudicator so the case was passed to an ombudsman for a final decision.

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 Miss M’s complaint. Having carefully considered everything I’ve decided to uphold Miss M’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 Miss M 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.

The information Everyday Loans has provided suggested that it carried out a credit check before this loan was provided. The results of which showed that Miss M had had three county court judgements against her. While there has been some suggestion all of them were over 12 months old, the credit search information provided suggests that the third of them had a court date of December 2018, which was only 6 months prior to this application.

Furthermore, the bank statement Everyday Loans obtained showed that Miss M had returned direct debits. Miss M might not have been overdrawn but that's because her bank wasn't prepared to provide her with an overdraft not because her finances were in great shape. Indeed, she was borrowing from friends and family to ensure that she didn't incur further returned direct debits.

I'm also mindful that all of this took place in the context of Miss M having a low income. And all of this leaves me persuaded by what Miss M has said about already being in a difficult financial position at the time. And while it's possible Miss M's previous credit difficulties reflected her choices rather than 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 Miss M's version of events.

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

Miss M ended up paying interest, fees and charges on a loan she shouldn't have been provided with. So I'm satisfied that Miss M 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 Miss M

Having thought about everything, Everyday Loans should put things right for Miss M by:

- removing all interest, fees and charges applied to this loan from the outset. The payments Miss M made should be deducted from the new starting balance – the £1,500.00 originally lent. If Miss M has already repaid more than £1,500.00 then Everyday Loans should treat any extra as overpayments. And any overpayments should be refunded to Miss M;
- adding interest at 8% per year simple on any refunded payments, if there are any, from the date they were made by Miss M to the date of settlement†;
- if, as seems likely, after all adjustments have been made, no outstanding balance remains, Everyday Loans should remove all adverse information it recorded on Miss M's credit file as a result of this loan.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Miss M 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 Miss M'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 Miss M to accept or reject my decision before 19 September 2022.

Jeshen Narayanan
Ombudsman