

## **The complaint**

Ms W complains about the amount Everyday Lending Limited trading as Everyday Loans (Everyday) said she owes following the end of a loan agreement.

## **What happened**

In January 2018, Ms W entered into a 30 month loan agreement with Everyday for the amount of £3,700. She was required to pay monthly instalments of £269 and the loan was due to end in July 2020. The total amount payable was £8,085.

During the term of the loan, Ms W experienced financial difficulty and five payments were missed which Everyday deferred to the end of the agreement meaning it was due to end in December 2020.

Ms W paid the instalment in December 2020 and believed the loan had been settled in full but Everyday said she still owed a final amount which related to the interest applied to the deferred payments. Ms W complained.

Everyday said they had acted in line with the terms of the agreement. They explained the interest for the deferred payments led to a 'balloon' payment at the end of the loan but as it was a large sum, payments would be spread out at 0% interest based on the regular contractual payments of £269. In this case, they said this meant the loan would be extended to 40 months.

Unhappy with their response, Ms W referred the complaint to our service. Our investigator recommended the case wasn't upheld as they believed Everyday had clearly outlined to Ms A the impact of the deferred payment and that there would be a final payment related to the deferred interest.

Ms W disagreed, she maintained her position and questioned how Everyday had calculated the final amount owed. The investigator asked for clarity and a breakdown from Everyday but they found the information provided was conflicting with differing amounts. The investigator changed her opinion and said as Everyday hadn't been able to adequately explain how they calculated this final amount, she didn't believe it was fair for Ms W to pay it. In response, Everyday provided a brief outline of their calculations.

In July 2022, I issued my provisional decision partially upholding the complaint, I said:

*"As a starting point, the terms of the agreement say:*

*"Interest will be calculated on the daily balance outstanding on the Account and applied to the Account monthly on the date the Monthly Payments are due".*

*The agreement said Ms W would pay £4,385 in interest in relation to this agreement. Had it run to term, all the contractual payments made on time without any further fees or charges, it would be fair to say this amount in interest is all Ms W would've paid. However unfortunately that's not what happened here. During the term of the loan Ms W suffered financial hardship*

*meaning she had difficulty paying some of the contractual instalments. I'm sorry to hear about Ms W's situation, I appreciate this would've been a difficult time for her.*

*Everyday said five payments weren't paid, that is September 2018, March 2019, December 2019, March 2020 and July 2020. Having reviewed the account statement, I find this to be the case. They deferred these payments to the end of the agreement. I believe it was reasonable for Everyday to do this otherwise the likely alternative would've been the monthly instalments would've increased so the loan would've been repaid during the original loan term of 30 months. Given Ms W's financial circumstances I'm not convinced this would've been an affordable option for her so I believe Everyday acted fairly in extending the loan.*

*After each payment was deferred, Everyday sent written correspondence, confirming the new date as to when the loan would end. I've reviewed these letters and I note it also said:*

*"Since interest is calculated daily on the amount outstanding on your account, this deferment may result in a balance which will become due on the same day as the final instalment. Please contact us before the final instalment is due to confirm the amount of payment required to close your account. If you are able to pay additional amounts to clear the deferred instalment(s) at an earlier opportunity this will reduce any final interest balance".*

*Based on the above, I'm satisfied it was made clear to Ms W on more than one occasion after each deferred payment that it may take longer to settle the agreement. She would pay more overall due to the deferred interest and this would be payable when the loan ended (that is when the capital of the loan was paid off). It was clear that due to the deferred payments, more interest would be charged than what was originally stated in the agreement. It's also worth pointing out that Everyday decided as Ms W couldn't pay July 2020's instalment due to the impact of the Covid-19, she wouldn't pay any more in interest than what was due in interest before the pandemic for that instalment.*

*I've also listened to calls between Ms W and Everyday where they discussed these missed payments. Everyday advised that the deferred payments may lead to an additional payment at the end. For these reasons, I don't agree with Ms W's comments that she was unaware that an additional payment would be required at the end of the loan.*

*Based on the above, I find Everyday acted fairly and in line with the terms of the agreement when deciding Ms W still owed money related to the deferred interest when the payment of the loan's capital had come to an end.*

*Although I accept this, similar to the investigator, I don't find Everyday has adequately demonstrated the final amount they say she owes is correct. I say this because based on the statements provided in January 2021, April 2022 and June 2022 and the final response letter issued in May 2021, they all seem to indicate differing final amounts. So I can understand Ms W's concerns that this hasn't been calculated correctly which is why she doesn't believe she owes any further money.*

*I've reviewed the statements and I've also considered the calculations provided by Everyday in response to the investigator's opinion, although I find the calculations to be brief in nature. Having done so, I found the amount that Everyday say Ms W owes differs from document to document, it varies from £1,324, £1,586 to £1,818.*

*Given Everyday said this final payment of the deferred interest wouldn't attract further interest, it's unclear why over a period of time, this amount has increased. I would've expected it to have 'crystallised' in December 2020 meaning no further interest or fees applied.*

*Having reviewed the various documents, I'm most persuaded by the final amount owed figure given in January 2021's account statement. I say this because this was the first statement following the capital of the loan being repaid in December 2020 therefore on balance, I find it's most likely to provide an accurate figure as to the final payment. That statement says the outstanding amount for Ms W to pay is £1,324 so I find it's reasonable to determine this is the final payment that she owes.*

*Overall, I'm satisfied it was fair for Everyday to determine Ms W owed a final payment related to the interest of the deferred payments. However I find their calculations and explanations of this final amount to be inconsistent and conflicting. I'm persuaded the account statement of January 2021 is most reliable so I find the amount shown of £1,324 is what Ms W owes.*

*Lastly, if Ms W is still suffering financial difficulty I wish to remind Everyday of the expectation that they treat the situation with forbearance and due consideration when deciding how best for Ms W to pay this money owed".*

### **Response to the provisional decision**

Everyday accepted the findings and confirmed they had amended the outstanding balance as proposed. They also said in order to set up an arrangement to pay, Ms W will need to contact her local branch.

Ms W disagreed. She said she was led to believe the final instalment was in December 2020 and she provided a copy of a letter dated July 2020 to that effect. She maintained Everyday are acting unfairly.

### **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.

I appreciate Ms W will be disappointed by my findings but for the reasons outlined above, I find she owes money to Everyday in relation to the interest for the deferred payments. I've considered the letter she has provided however this doesn't change my opinion. This is because she had been sent letters after each deferred payment saying an amount may still be owed when the final payment instalment was paid.

On the basis I haven't been provided with any further information to change my decision I still consider my findings to be fair and reasonable in the circumstances. Therefore, my final decision is the same for the reasons as set out in my provisional decision.

### **My final decision**

For the reasons set out above, I've decided to partially uphold Ms W's complaint.

To put things right, Everyday Lending Limited trading as Everyday Loans should update their internal and external records to reflect Ms W owes them £1,324 in deferred interest as the final amount to settle the agreement in full.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 28 September 2022.

Simona Charles

**Ombudsman**