

## **Complaint**

Mr S has complained about personal loans Everyday Lending Limited (trading as “Everyday Loans”) provided to him. He says that his circumstances weren’t adequately assessed and this led to him being provided with unaffordable loans.

## **Background**

Everyday Loans initially provided Mr S with a first loan for £2,500.00 in November 2017. This loan had an APR of 127.1% and a term of 24 months. This meant that the total amount to be repaid of £5,180.88, including interest of £2,680.88, was due to be repaid in 24 monthly instalments of just over £215.

Everyday Loans then provided Mr S with a second loan for £3,300.00 in August 2018. This loan had an APR of 88.2% and a term of 24 months. This meant that the total amount to be repaid of £5,975.76, including interest of £2,675.76, was due to be repaid in 24 monthly instalments of just under £250. £2,072.73 of the proceeds of loan 2 were used to settle the remaining balance on loan 1.

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

Mr S 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 with the outcome reached for loan 1, this decision on only looking at whether Everyday Loans should have provided Mr S with loan 2.

## **My findings**

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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 Mr S’ complaint. Having carefully considered everything I’ve decided to uphold Mr 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 Mr S 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 credit checks before loan 2 was provided. The results of which showed that Mr S already had a significant amount of existing debt with high cost lenders. Furthermore, the bank statements Everyday Loans obtained showed that Mr S was relying on friends, family and a high cost lender to avoid going overdrawn.

Mr S might not have been overdrawn but that's because his bank wasn't prepared to provide him with an overdraft not because his finances were in great shape. And the statements do show that Everyday Loans appear to have been aware of what I suspect is the reason for Mr S' existing difficulties given the transactions were circled.

And while there's some suggestion this loan might have been for debt consolidation, the amount didn't correspond to what Mr S owed. Indeed, I'm particularly concerned that there were accounts not included in Mr S' expenditure, going forwards, even though the funds being advanced weren't enough to clear the balances owing.

It's therefore unclear to me how or what was going to be consolidated and more crucially how this was going to improve Mr S' financial position – especially bearing in mind Mr S was supposedly borrowing for consolidation purposes eight months after he was supposed to have cleared what he owed with the proceeds of loan 1. I'm also mindful that Everyday Loans relied on the use of average data to calculate Mr S' living expenses. This is despite the fact that his credit file showed he didn't fit the profile of the average borrower.

All of this leaves me persuaded by what Mr S has said about already being in a difficult financial position at the time. And while it's possible Mr S' previous credit difficulties reflected his 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 Mr S' version of events here.

As this is the case, I do think that Mr S' existing financial position meant that he was unlikely to be able to afford the payments to loan 2, 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 loan 2 to Mr S. As Everyday Loans provided Mr S with loan 2, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr S ended up paying interest, fees and charges on a loan he shouldn't have been provided with. So I'm satisfied that Mr S 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 Mr S**

Having thought about everything, Everyday Loans should put things right for Mr S by:

- refunding all interest, fees and charges Mr S paid on loan 2;

- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr S to the date of settlement†;
- removing all adverse information it recorded on Mr 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 Mr S a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained, I'm upholding Mr 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 Mr S to accept or reject my decision before 19 September 2022.

Jeshen Narayanan  
**Ombudsman**