DRN-3693808

Complaint

Mr S has complained about a personal loan Everyday Lending Limited (trading as "Everyday Loans") provided to him. He says that he wasn't in a position to repay his loan without borrowing further.

Background

Everyday Loans provided Mr S with a loan for £3,500.00 in November 2021. This loan had an APR of 93.6% and a term of 48 months. This meant that the total amount to be repaid of £10,101.12, including interest, fees and charges of £6,601.12, was due to be repaid in 48 monthly instalments of just over £210.

One of our adjudicators reviewed Mr S' complaint and he thought that Everyday Loans ought to have realised that it shouldn't have provided Mr S with his loan. Everyday Loans disagreed and 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.

Having carefully considered everything, I've decided to uphold Mr S' complaint. I'll explain why in a little more detail.

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 it lent to Mr S. The results of which showed that Mr S already had a significant amount of existing debt with credit card providers. Furthermore, the bank statements

Everyday Loans obtained showed that Mr S was regularly overdrawn and that he even had returned direct debits.

And while there's some suggestion this loan might have been for debt consolidation, the amount didn't correspond to what Mr S owed. 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' overall financial position- especially as this loan had a far higher interest rate than Mr S' credit cards. I'm also mindful that the income and expenditure assessment Everyday Loans caried out showed that the payment for this loan would take up pretty much all of Mr S' monthly disposable income.

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' 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 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 Mr S. As Everyday Loans provided Mr S with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr S ended up paying (and is being expected to pay) 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:

- removing all interest, fees and charges applied to this loan from the outset. The payments Mr S made should be deducted from the new starting balance – the £3,500.00 originally lent. If Mr S has already repaid more than £3,500.00 then Everyday Loans should treat any extra as overpayments. And any overpayments should be refunded to Mr S;

- adding interest at 8% per year simple on any refunded payments, if there are any, from the date they were made by Mr S to the date of settlement†;

- if after all adjustments have been made, no outstanding balance remains, Everyday Loans should remove all adverse information it recorded on Mr S' credit file as a result of this loan; OR if an outstanding balance does remain after all adjustments have been made Everyday Loans should contact Mr S to arrange a suitable and affordable repayment plan for the outstanding amount.

† 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 13 October 2022.

Jeshen Narayanan
Ombudsman