DRN-3699938

Complaint

Miss P 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 P with a loan for £2,500.00 in July 2018. This loan had an APR of 106.8% and a term of 36 months. This meant that the total amount to be repaid of £6,194.16, including interest, fees and charges of £3,694.16, was due to be repaid in 36 monthly instalments of just over £172.

Everyday Lending provided Miss P with a second loan in July 2019. However, as Everyday Loans agreed it shouldn't have provided Miss P with loan 2 and it also agreed to put things right in the way that we would normally tell a lender to if we were to uphold a complaint, we've only looked at whether Everyday Loans acted fairly and reasonably when providing loan 1 to Miss P.

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

Everyday Loans disagreed 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 P's complaint. Having carefully considered everything I've decided to uphold Miss P'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 P 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 P had a significant history of high-cost and payday lending. Indeed Miss P had only taken out a guarantor loan with a high cost lender a mere matter of weeks before applying for this loan.

Furthermore, the information Everyday Loans has provided also suggests that Miss P had recently renegotiated the terms of a payday loan because she was struggling to repay it. The bank statement Everyday Loans obtained also showed that Miss P had returned direct debits. Miss P might not have been overdrawn but that's because she only had a basic bank account which she wasn't able to have an overdraft on, not because her finances were in great shape.

All of this leaves me persuaded by what Miss P has said about already being in a difficult financial position at the time. And while it's possible Miss P'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 P's version of events.

As this is the case, I do think that Miss P'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 P.

As Everyday Loans provided Miss P with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

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

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

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

My final decision

For the reasons I've explained, I'm upholding Miss P'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 P to accept or reject my decision before 13 October 2022.

Jeshen Narayanan
Ombudsman