

Complaint

Miss D has complained about a guarantor loan Everyday Lending Limited (trading as "George Banco".com) provided to her.

She says the proper affordability checks weren't undertaken and that if they had been these would have shown that this loan was unaffordable for her.

Background

George Banco provided Miss D with a guarantor loan for £3,000.00 in June 2019.

This loan had an APR of 61.8% and a term of 24 months. This meant that the total amount to be repaid of £4,767.60, including interest, fees and charges of £1,767.60, was due to be repaid in 24 monthly instalments of just under £200.

One of our investigators reviewed Miss D's complaint and she thought George Banco shouldn't have provided Miss D with her loan. So she thought that Miss D's complaint should be upheld.

George Banco 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 D's complaint.

Having carefully considered everything I've decided to uphold Miss D's complaint. I'll explain why in a little more detail.

George Banco needed to make sure it didn't lend irresponsibly. In practice, what this means is George Banco needed to carry out proportionate checks to be able to understand whether Miss D could afford to repay any credit it provided. The fact that George Banco may also have been able to seek payments from a guarantor, in the event that Miss D didn't make them, did not alter or dilute this obligation in any way.

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 George Banco has provided suggested that it carried out a credit check before this loan was provided. The results of which showed that Miss D was already significantly indebted. Indeed George Banco's own checks showed that, at best, the payments to this loan were taking Miss D right towards the margin of her income. And this was with the use of estimated expenditure too.

Furthermore, the information George Banco has provided also suggests that Miss D was already using most of the credit available to her, had already exceeded the limits on some accounts and was also in an arrangement to pay on at least one other.

All of this leaves me persuaded by what Miss D has said about already being in a difficult financial position at the time. And while it's possible Miss D's 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 George Banco, I've been persuaded to accept Miss D's version of events.

As this is the case, I do think that Miss D's existing financial position meant that she was unlikely to be able to afford the payments to this guarantor loan, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more like than not have shown George Banco that it shouldn't have provided this loan to Miss D.

As George Banco provided Miss D with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Miss D ended up paying interest, fees and charges on a guarantor loan she shouldn't have been provided with. So I'm satisfied that Miss D lost out because of what George Banco did wrong and that it should put things right.

Fair compensation what George Banco needs to do to put things right for Miss D

Having thought about everything, George Banco should put things right for Miss D by:

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

† HM Revenue & Customs requires George Banco to take off tax from this interest. George Banco must give Miss D 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 D'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 D to accept or reject my decision before 19 December 2022.

Jeshen Narayanan

Ombudsman