

Complaint

Mr P has complained about a personal loan Everyday Lending Limited (trading as “Everyday Loans”) provided to him. He says the loan was unaffordable.

Background

Everyday Loans provided Mr P with a second loan for £2,500.00 in June 2018. This loan had an APR of 199.6% and a term of 24 months. This meant that the total amount to be repaid of £6,234.72, including interest, fees and charges of £3,734.72, was due to be repaid in 24 monthly instalments of just under £260. One of our adjudicators reviewed Mr P’s complaint and he thought Everyday Loans ought to have realised that it shouldn’t have provided Mr P with this loan. So he thought Mr P’s complaint should be upheld. Everyday Loans disagreed and asked 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 Mr P’s complaint. 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 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 credit checks before this loan was provided. The results of which showed that Mr P would be committing a significant proportion of his income towards repaying debts and this was in circumstances where he had at least one County Court Judgement issued against him for non-payment of debts. already had a significant amount of existing debt with high cost and payday lenders. I’m also concerned that this loan, which had an eye-wateringly high rate of interest, was being used to consolidate much cheaper credit card debt.

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

As this is the case, I do think that Mr P'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 P. As Everyday Loans provided Mr P with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him. Mr P 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 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 Mr P

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

- removing all interest, fees and charges applied to Mr P's loan from the outset. The payments Mr P made, whether to Everyday Loans or any third-party debt purchaser, should be deducted from the new starting balance – the £2,500.00 originally lent. If once all adjustments have been made this shows that Mr P has made overpayments, these overpayments should also be refunded to Mr P together with interest at 8% simple a year from the date they were made by Mr P to the date of settlement†
- if no outstanding balance remains after all adjustments have been made then all adverse information recorded on Mr P's credit file as a result of this loan should be removed.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mr P 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 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 Mr P to accept or reject my decision before 2 December 2022.

Jeshen Narayanan
Ombudsman