

## **Complaint**

Mrs E 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 Mrs E with a loan for £2,000.00 in September 2007. This loan had an APR of 59.8% and a term of 24 months. This meant that the total amount to be repaid of £4,057.80, including interest, fees and other insurance charges of £2,057.80, was due to be repaid in 24 monthly instalments of just under £180. One of our investigators reviewed Mrs E’s complaint and he thought Everyday Loans shouldn’t have provided Mrs E with her loan. So he thought that Mrs E’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 Mrs E’s complaint. Having carefully considered everything I’ve decided to uphold Mrs E’s complaint. I’ll explain why in a little more detail.

Everyday Loans needed to make sure it acted fairly and reasonably when lending to Mrs E. In practice, what this means is Everyday Loans needed to find out enough about Mrs E such that it could have a reasonable understanding of whether Mrs E 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 Mrs E was already significantly indebted. And Mrs E was already in arrears on some of her existing commitments. Everyday Loans says that Mrs E said that her accounts had been brought up to date. But given her relatively low income and the amount of the arrears, I would have expected it to have obtained evidence of this first before proceeding with this application.

Overall and having considered everything, I’m persuaded by what Mrs E has said about already being in a difficult financial position when she took out this loan. And while it’s possible Mrs E’s difficulties reflected her choices rather than financial difficulty, I’d add my

experience of these types of cases suggest this is unlikely, in the absence of any plausible arguments from Everyday Loans, I'm persuaded to accept Mrs E's version of events.

As this is the case, I do think that Mrs E'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 enquiries into Mrs E's circumstances would more like than not have shown Everyday Loans that it shouldn't have provided this loan to her. As Everyday Loans provided Mrs E with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

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

Having thought about everything, Everyday Loans should put things right for Mrs E by:

- refunding all interest, fees and charges (including any insurance which might not already have been refunded) Mrs E paid on her loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mrs E to the date of settlement†;
- removing all adverse information it recorded on Mrs E's credit file, if it remains, as a result of this loan.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mrs E 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 Mrs E'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 Mrs E to accept or reject my decision before 29 December 2022.

Jeshen Narayanan  
**Ombudsman**