

The complaint

Mr K had a loan with Everyday Lending Limited from June 2021. Mr K complains that interest applied to the loan account on 12 February 2022 ought not to have been added as the interest was meant to have been frozen from 30 November 2021.

And Mr K was unhappy that the branch and head office were passing him 'from pillar to post'.

What happened

Mr K appears to have taken a loan with Everyday Lending in June 2021 for £1,250 and his monthly repayments were due to be £101.36 for 24 months. I have taken this from information Everyday Lending has said in correspondence. I have not seen a copy of the loan agreement.

Mr K called the Financial Ombudsman Service on 15 March 2022 to complain about the interest being added when he thinks it ought to have been frozen. He sent us a Statement of Account which shows almost £487 interest was added on 12 February 2022. And he feels he was being pushed 'from pillar to post' by Everyday Lending representatives.

When one of our adjudicators approached Everyday Lending with Mr K's recent approach to us in March 2022, it replied to say that it had already issued its final response letter (FRL) on 6 September 2021. It sent to us a copy. It said this complaint was referred to the Financial Ombudsman too late.

That FRL reveals the complaint was made by Mr K in August 2021 and was about a manager being rude to him when he called it on 18 August 2021 to say that he'd lost his job and needed assistance with the loan repayments. That FRL said it did not uphold his complaint.

Later a new FRL was received by Mr K dated 20 May 2022, so after he'd already contacted the Financial Ombudsman Service to start the complaint off. That addressed these points raised by Mr K:

'1. You believe the interest on your account had been frozen in November 2021 when you spoke to the branch manager on 9th March 2022.

2. You are unhappy that you are yet to receive the confirmation she promised regarding the interest being frozen and this is causing you unnecessary stress which is affecting your mental health.

3. You feel the branch staff have been unhelpful in managing your account after the change in your circumstances.'

That May 2022 FRL upheld Mr K's complaint in part – that part relating to the fact that he got no promised 'return call' after November 2021. Mr K had wanted to be informed about the possibility of there being 'frozen interest'. And Everyday Lending accepted that information

Mr K was given over the telephone on 9 March 2022 (which was the next contact point) had been incorrect and had misled him. He was offered £100 as a distress and inconvenience payment.

It appears that an email apology dated 4 April 2022 plus a new Statement of Account was sent to Mr K but I have not seen a copy of those items. And Mr K was informed that the account had defaulted on 29 March 2022.

That part of the complaint where Mr K alleged that the branch had mis-managed the account, Everyday Lending had declined to uphold. It said that since Mr K had informed it of his change of circumstances in August 2021 (job loss) after which the account had been handled with forbearance which is what it said it was expected to do.

As Mr K had already been in contact with us, one of our adjudicators looked at it all and made it clear that the part of the complaint about a manager being rude to Mr K when he called Everyday Lending on 18 August 2021 was not going to be something she could look at. That had been answered in the 6 September 2021 FRL and had not been referred to the Financial Ombudsman Service in time for us to be able to take it forward. Mr K did not seem to be too concerned about that. So, this decision does not cover those issues raised by Mr K in the summer of 2021.

As for the second part of Mr K's complaint which covers those points addressed in the May 2022 FRL then it was that part our adjudicator investigated. Our adjudicator did not think that Everyday Lending had treated Mr K fairly. She thought that the default ought to have been applied three months after the first missed payment which meant that it would have been able to freeze his interest at that point. Here – the promise to freeze the interest in November 2021 was not carried out and the default was applied on 29 March 2022. Our adjudicator sought to resolve the complaint by indicating this:

'For the reasons given above I am asking that you remove any interest that was applied to Mr K's account after the third month of missed or had a reduced payment. Due to the stress that situation is likely to have had on Mr K I am also asking that you pay him £250 for distress and inconvenience.'

Mr K thought this was a fair outcome and provided us with his bank account details for the £250 payment to be paid into. Everyday Lending did not reply and so the unresolved complaint was passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Everyday Lending has accepted that it got it wrong by not calling Mr K back between November 2021 and March 2022. It also seems to have accepted that in March 2022 Mr K had not received the information he ought to have done and it has mentioned an apology email dated 4 April 2022. I have not seen that.

I have received one recorded call from Everyday Lending in which the Newport branch representative refers to dates in August 2021 and so from that it seems that call was one in August 2021. Discussions were had between Mr K and that representative about how much to pay. It does appear that Mr K agreed to pay around £50 at the end of each month starting end of August 2021. The one Statement of Account I have seen does reflect that Mr K had

paid around that sum each month from the end of August 2021 until 31 January 2022. I have seen no further records since then.

The outstanding issues appear to be that Mr K says that the branch staff have not managed his account well since he told them of his change of circumstances in August 2021. And Mr K is not happy that there has been interest added when he was led to believe that interest was going to be frozen from November 2021. Its not entirely clear why this date was chosen. It may have been a review date.

My finding in relation to the way that Everyday Lending has approached Mr K's account since he told them of his change of circumstances is that they have shown forbearance. It is a requirement under the Financial Conduct Authority (FCA) CONC chapter 7 that Everyday Lending had to treat Mr K fairly and with due consideration and forbearance. That can include actions such as accepting token payments, advising him to get advice, and even though he was not able to show it any bank statements with a new salary or any Universal Credit payments, still it was content to accept the informal payment arrangement starting in August 2021.

And Mr K had mentioned in his telephone call in August 2021 with a representative from the Everyday Lending Newport branch that he was applying for a PIP payment which demonstrated to the representative that he may have been in the 'vulnerable' category.

And as Everyday Lending has agreed in the May 2022 FRL that it ought to have been in contact with him between November 2021 and March 2022 then I agree – it ought to have been and Everyday Lending has tried to put that right with an apology email (I have not seen) and an offer of £100 for distress and inconvenience.

I think that £100 was rather low and what our adjudicator has suggested of £250 is about right. I can see that Mr K telephoned Everyday Lending several times after receiving the statement of account in February 2022 and still did not get any answers for several weeks until April 2022. Mr K has explained that he has mental health and anxiety issues and I do appreciate that this was likely an exacerbating factor for him. So, the £250 award to Mr K seems fair.

As for the position surrounding the addition of interest and the date of the default, I have seen no documentation about the default. Everyday Lending has said that the account defaulted on 29 March 2022.

I have no information about whether Mr K stopped paying the informal payment arrangement repayments. So, I do not know the rationale as to why it was that Everyday Lending felt it was right to default the account on 29 March 2022. And I do not consider that Mr K's complaint is about the default. And so I make no findings on it.

I can understand the reason Everyday Lending was content to accept the reduced payments as Mr K's circumstances seems to fall into the category envisaged in the Guidance to chapter 7 of CONC 7.3.4 – namely CONC 7.3.5 G (3):

'Examples of treating a customer with forbearance would include the firm doing one or more of the following, as may be relevant in the circumstances:...

(3) accepting token payments for a reasonable period of time in order to allow a customer to recover from an unexpected income shock, from a customer who demonstrates that meeting the customer's existing debts would mean not being able to meet the customer's priority debts or other essential living expenses'

Apart from the August 2021 recorded call I have listened to in which Mr K explained that he had no job and was now living with family members who were content to give him a small amount of cash for odd jobs around their house, then I've seen no evidence about Mr K's circumstances in or around March 2022.

I can understand that Mr K feels aggrieved that £487 of interest was applied to the account in February 2022, but by then Everyday Lending had been accepting token and small payments from Mr K since August 2021 which was about six months. I don't think that, in usual circumstances, Everyday Lending had necessarily done anything wrong by adding in that interest as it likely accorded with the credit agreement he had with it.

But where Everyday Lending has gone wrong when dealing with Mr K's financial difficulties and issues, was the total lack of communication with him since November 2021. So, to add that interest with no warning, no attempt to obtain any up-to date information from Mr K such as carrying out a formal income and expenditure assessment or asking Mr K what his current position was, does seem to be wrong.

Mr K does not appear to have complained about the imposition of the default. I have no information or any records relating to it and so I make no findings about it. I've no evidence that Mr K had fallen behind in the informal repayment arrangement. But I do think that the £487 interest applied on 12 February 2022 should be removed from his loan account. The default is a different matter and not one that forms part of this complaint. And even if it did I do not think that I can come to any conclusions about it.

So, I reach the same outcome as that reached by our adjudicator but I have gone into more detail and not addressed the correctness or otherwise of the default applied in March 2022.

I am aware that there will remain an outstanding balance due from Mr K to Everyday Lending. And so I recommend that it continues with its forbearance approach and that Mr K engages with Everyday Lending in relation to his current employment and/or income circumstances.

Putting things right

I direct that Everyday Lending does as follows:

- remove the £486.29 interest added on 12 February 2022 from the account and
- pay to Mr K a distress and inconvenience payment of £250 for lack of communication and no explanation relating to the interest on the account.
- Arrange with Mr K a mutually suitable repayment plan for the loan balance due.

My final decision

My final decision is that I uphold Mr K's complaint in part and I direct that Everyday Lending Limited does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 31 January 2023.

Rachael Williams
Ombudsman