

## **Complaint**

Mrs P has complained about a guarantor loan Everyday Lending Limited (trading as "George Banco".com) provided to her. She says the loan was unaffordable.

## **Background**

George Banco provided Mrs P with a guarantor loan for £5,000.00 in January 2018. This loan had an APR of 55.04% and a term of 24 months. This meant that the total amount to be repaid of £7,647.84, including interest, fees and charges of £2,647.84, was due to be repaid in 24 monthly instalments of just under £320.

One of our investigators reviewed Mrs P's complaint and she thought George Banco hadn't acted unfairly or unreasonably towards Mrs P. So she didn't think that Mrs P's complaint should be upheld. Mrs P disagreed and asked for an ombudsman to consider her case.

## **My provisional decision of 13 December 2022**

I issued a provisional decision – on 13 December 2022 - setting out why I intended to uphold Mrs P's complaint. I won't copy that decision in full, but I will instead provide a summary of my findings.

I started out by saying that we've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And that I had used this approach to help me decide Mrs P's complaint.

I then explained that George Banco needed to make sure it didn't lend irresponsibly. In practice, what this meant was that George Banco needed to carry out proportionate checks to be able to understand whether Mrs P could afford to repay any credit it provided. The fact that George Banco may also have been able to seek payments from a guarantor did not alter or dilute this obligation in any way.

I set out that our website explains 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 provided suggested that it carried out a credit check before it agreed to lend to Mrs P. The results of which showed that Mrs P had previously had significant difficulties repaying credit. Furthermore, George Banco's own checks showed that, at best, the payments to this loan were taking Mrs P right towards the margin of her income. And this was with the use of estimated expenditure in circumstances where Mrs P's

previous difficulties with credit suggested she fell outside the profile of the average borrower and the monthly payments to this loan was taking up a significant portion of her monthly income.

This left me persuaded by what Mrs P had said about already being in a difficult financial position at the time. I acknowledged that while it was possible Mrs P's difficulties reflected her choices rather than financial difficulty, I added that my experience of these types of cases suggested this was unlikely, in the absence of any reasonable or plausible arguments from George Banco, I was persuaded to accept Mrs P's version of events.

As this was the case, I was satisfied that Mrs P'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 was therefore minded to conclude that reasonable and proportionate checks would more like than not have shown George Banco that it shouldn't have provided this loan to Mrs P. As George Banco provided Mrs P with this loan, notwithstanding this, this left me minded to conclude that it didn't act fairly and reasonably towards her.

Mrs P ended up paying interest, fees and charges on a guarantor loan she shouldn't have been provided with. So I was satisfied that Mrs P lost out because of what George Banco did wrong and this left me intending to issue a final decision that upheld Mrs P's complaint.

I then went on to set out a method of calculating compensation which I thought addressed George Banco's shortcomings and Mrs P's resulting loss.

### **Responses to my provisional decision**

George Banco confirmed that it accepted my provisional decision and that it didn't provide anything further for me to consider.

Mrs P confirmed that she accepted my provisional decision and that she had nothing further to add either.

### **My findings**

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

I thank the parties for their responses to my provisional decision. And in particular I'm pleased to see that my findings have been accepted.

As the parties have agreed with the findings I reached in my provisional decision and in it I set out in some detail why I intended to uphold Mrs P's complaint, I've not been persuaded to alter my conclusions. So I'm still upholding Mrs P's complaint. And I remain satisfied that George Banco needs to put things right.

### **Fair compensation – what George Banco now needs to do to put things right for Mrs P**

Having thought about everything, I'm satisfied that it would be fair and reasonable in all the circumstances of Mrs P's complaint for George Banco to put things right by:

- refunding all interest, fees and charges Mrs P actually paid on her loan;
- adding interest at 8% per year simple on any refunded interest payments from the date they were made by Mrs P to the date of settlement†;

- removing all adverse information it recorded on Mrs P'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 Mrs P a certificate showing how much tax it has taken off if she asks for one.

### **My final decision**

For the reasons set out above and in my provisional decision of 13 December 2022, I'm upholding Mrs P's complaint. Everyday Lending Limited need to 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 P to accept or reject my decision before 7 February 2023.

Jeshen Narayanan  
**Ombudsman**