

Complaint

Mrs A 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 A with a guarantor loan for £4,000.00 in July 2018. This loan had an APR of 61.08% and a term of 36 months. This meant that the total amount to be repaid of £7,714.80, including interest, fees and charges of £3,714.80, was due to be repaid in 36 monthly instalments of just under £215.

One of our investigators reviewed Mrs A's complaint and she thought George Banco provided Mrs A's loan in circumstances where it ought to have realised it was unaffordable. So she thought that Mrs A's complaint should be upheld. George Banco disagreed and asked for an ombudsman to consider the case.

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 A's complaint. Having carefully considered everything I've decided to uphold Mrs A'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 Mrs A 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.

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 Mrs A 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 A right towards the margin of her

income. And this was with the use of estimated expenditure in circumstances where Mrs A's previous difficulties with credit suggested she fell outside the profile of the average borrower.

I've also seen what George Banco has said about Mrs A making her payments before the pandemic and that this means the loan was affordable at the outset. However, just because payments were being made this doesn't mean that Mrs A wasn't doing so without borrowing further or without suffering adverse consequences. And that's what George Banco needed to establish that Mrs A would be able to do before lending to her.

I've also considered what George Banco has said about this being a consolidation loan. However, it's unclear to me how or what was going to be consolidated and more crucially how this loan, which was on such disadvantageous terms, was going to improve Mrs A's outgoings going forward. So I'm not persuaded that this means Mrs A's complaint shouldn't be upheld either.

Overall and having considered everything, I'm persuaded by what Mrs A has said about already being in a difficult financial position at the time. And while it's possible Mrs A'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 Mrs A's version of events.

As this is the case, I do think that Mrs A's existing financial position meant that she was unlikely to be able to afford the payments to this guarantor loan, without borrowing further or suffering significant adverse consequences. And I'm therefore satisfied that reasonable and proportionate checks would more like than not have shown George Banco that it shouldn't have provided this loan to Mrs A. As George Banco provided Mrs A with this loan, notwithstanding this, I'm satisfied that it didn't act fairly and reasonably towards her.

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

Fai compensation – what George Banco needs to do to put things right for Mrs A

Having thought about everything, I'm satisfied that George Banco should put things right for Mrs A by:

- refunding all interest, fees and charges Mrs A 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 A to the date of settlement†;
- removing all adverse information it recorded on Mrs A'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 A 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 A'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 A to accept or

reject my decision before 3 March 2023.

Jeshen Narayanan
Ombudsman