DRN-3971675

Complaint

Mrs A has complained about a loan Everyday Lending Limited (trading as "Everyday Loans") provided to her. She says the loan was unaffordable and led to her having to go into a payment plan.

Background

Everyday Loans provided Mrs A with a loan for £2,500.00 in January 2021. This loan had a term of 36 months. This meant that the total amount to be repaid of £5,347.08, including interest, fees and charges of £2,847.08, was due to be repaid in 36 monthly instalments of £148.53.

One of our adjudicators reviewed Mrs A's complaint and he thought Everyday Loans shouldn't have provided Mrs A with her loan. So he thought that Mrs A's complaint should be upheld.

Everyday Loans didn't agree 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 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.

Everyday Loans needed to make sure it acted fairly and reasonably when lending to Mrs A. In practice, what this means is Everyday Loans needed to find out enough about Mrs A such that it could have a reasonable understanding of whether Mrs A 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 A was already indebted – including being overdrawn, which was confirmed by the bank statements obtained too.

I’m also concerned that Everyday Loans’ own income and expenditure calculation showed that this loan would take Mrs A right to the margin of her disposal income. And Everyday Loans relied on the use of average data and minimum payments to her revolving credit commitments to calculate Mrs A’s expenditure when arriving at its monthly disposable income figure.

I’ve also considered that the recorded purpose of this loan appears to have been debt consolidation. However, the amount advanced wasn’t enough to clear Mrs A’s debts. In these circumstances, 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.

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 she took out this loan. 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 Everyday Loans, 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 loan, without undue difficulty or borrowing further. And I’m satisfied that reasonable enquiries into Mrs A’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 A with this loan, notwithstanding this, I’m satisfied it failed to act fairly and reasonably towards her.

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

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

- refunding all interest, fees and charges Mrs A paid on her loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mrs A to the date of settlement†
- removing all adverse information recorded about this loan from Mrs A’s credit file.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans 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 20 March 2023.

Jeshen Narayanan
Ombudsman