

The complaint

Mrs C complains that Everyday Lending Limited, trading as Georgebanco.com, lent to her irresponsibly and without carrying out proper affordability checks. She would like all the fees and charges associated with the loan refunded.

What happened

In January 2019 Georgebanco.com approved a loan of £4,000 for Mrs C, which was scheduled to be repaid at approximately £247 per month over a term of 24 months. It would seem that the loan was intended to fund home improvements.

When assessing the application, Georgebanco.com took steps to establish Mrs C's financial circumstances and carried out a credit check before approving the lending.

It would seem that Mrs C kept up with the repayments and the loan was repaid as expected in the agreed term.

When Mrs C complained to it, Georgebanco.com didn't accept it had done anything wrong. So she brought her case to this service. The investigator thought that Georgebanco.com shouldn't have given Mrs C this loan, but Georgebanco.com disagrees. So the case has been passed to me for review and decision.

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.

Having done so, I'm going to uphold this complaint broadly for the same reasons as those of the investigator.

Georgebanco.com is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mrs C would be able to repay the borrowing applied for in a sustainable way.

Did Georgebanco.com carry out proportionate checks before granting this loan?

Georgebanco.com asked Mrs C about her income and expenditure; used statistical tools to calculate her likely monthly outgoings; and carried out a credit check when considering her loan application. The investigator thought these checks were proportionate to the amount being borrowed and the term of the loan. I agree that the results of these checks were sufficient to *decline* Mrs C's application, whilst also accepting the possibility that further checks *could* have provided evidence which supported Georgebanco.com's decision to approve it. However, it did not carry out any further checks.

For clarity, I say that because I believe the checks it carried out raised some concerns. Specifically, that Mrs C was carrying a large amount of unsecured debt; that her

disposable income and financial responsibilities did not appear to be balanced; and that she had only very recently managed to pay off a defaulted account.

So, ultimately, those concerns ought to have led Georgebanco.com to either decline her application or ask further questions and verify her situation more thoroughly before making a lending decision.

It did neither.

Did Georgebanco.com respond appropriately to the information it had when deciding whether to provide this loan?

Based on what it knew about Mrs C, I don't think Georgebanco.com could reasonably have concluded that this loan would be sustainable for her, bearing in mind the regulations in force.

The adjudicator thought that the remaining amount of disposable income (£140 per month) Mrs C had, once all her financial commitments had been taken into account, was concerningly small, and that she needed to spend such a significant proportion of her income (almost half of it) on servicing her debts that Georgebanco.com should not therefore have lent to her.

It disagreed and raised two key issues. Firstly, that Mrs C had shown no difficulties in repaying the loan, thereby proving the repayments were affordable and sustainable for her. Secondly, it wanted to know what amount would have been a sufficient and reasonable disposable income for Mrs C in her circumstances.

Georgebanco.com is right in saying that Mrs C made all her repayments on time and repaid this loan as expected. But that in no way proves that those repayments were affordable and sustainable for her, as there is no evidence to show *how* she managed to make them. Simply, it is entirely possible that she borrowed elsewhere to do so, which would not equate to the repayments being affordable and sustainable for Mrs C under the regulations in force.

Georgebanco.com has asked several times for the investigator to confirm what amount of disposable income would have been deemed to be enough for Mrs C. Whilst I understand its motivation in doing so, I don't believe it is relevant to the outcome in this case. What matters is whether the evidence suggests that the £140 it identified in its assessment was a fair and reasonable basis on which to determine that this borrowing was affordable and sustainable for Mrs C. Georgebanco.com hasn't made any representations on that point. The reasons that lead me to conclude it wasn't remain – regardless of whether I were to say that Mrs C needed at least £141 of disposable income, or at least £500. It simply isn't material to my findings in this case.

It's important to understand that, although a key concern for the investigator, the question of Mrs C's disposable income per month does **not** sit in isolation as a reason to uphold this complaint. A far more holistic picture of her circumstances leads to that outcome.

I agree with the investigator that the identified £140 ought to have raised concerns as part of Georgebanco.com's assessment. I also agree that a key aspect of that concern is that she declared she had three dependents. So her disposable income needed to be able to meet any unplanned needs for her and her dependents throughout the term of the loan. I consider it reasonable to assume that those dependents were children, who, of course, grow, and require new clothes and shoes at regular but unpredictable intervals. I've seen nothing to suggest that such, at times significant, costs were factored into

Georgebanco.com's estimation of Mrs C's monthly outgoings. Also, Mrs C declared she was a homeowner, meaning that any urgent repairs or broken appliances would also have to be met by her from that same amount of disposable income. In aggregate, these are potentially substantial and unpredictable demands on her finances. And £140 per month to meet them cannot reasonably be described as an un concerning amount.

Again, I agree with the investigator that Mrs C also required a large amount of her income to service her debts, and that this is relevant to an overall assessment of her financial health. I can see that Georgebanco.com has itself highlighted that six of Mrs C's seven active credit card accounts were "...*nearly on limit*...". This clearly suggests that she was borrowing heavily, and the credit check completed by Georgebanco.com points to her having made only minimum repayments across her revolving credit accounts for a prolonged period of time.

Additionally, the credit check revealed that Mrs C had defaulted an account, seemingly about two and half years before she applied for this lending. Whilst the default itself could be considered to be historic enough not to be relevant, I can also see that she had only fairly recently settled the account. It would appear that it took her some time to do so and that there were periods of time (including in 2018) where she was seemingly unable to make any repayments at all towards that defaulted account.

To summarise, the evidence in this case leads me to uphold the complaint on the basis that Georgebanco.com's assessments did not demonstrate that the borrowing was affordable and sustainable for Mrs C. Instead, its findings raised a series of concerns, which it neither acted on nor investigated further.

Putting things right

It appears that Mrs C repaid the loan as expected. In order to put things right for her, Georgebanco.com must do the following:

A) Georgebanco.com must remove all interest, fees and charges from the loan, and treat any repayments made by Mrs C as though they had been repayments of the principal on the loan.

B) If this results in Mrs C having made overpayments then it must refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the payments were made, to the date the complaint is settled.

C) It must remove any adverse information recorded on Mrs C's credit file in relation to this loan.

*HM Revenue & Customs requires Georgebanco.com to deduct tax from this interest. It should give Mrs C a certificate showing how much tax it's deducted, if she asks for one.

My final decision

For the reasons I've explained, I uphold this complaint and direct Everyday Lending Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 4 September 2023.

Siobhan McBride

Ombudsman