DRN-4036619

Financial Ombudsman Service

## Complaint

Ms B has complained about personal loans Everyday Lending Limited (trading as "Everyday Loans") provided to her. She says that the loans were unaffordable and so shouldn't have been provided to her.

## Background

Everyday Loans initially provided Ms B with a first loan for £1,500.00 in July 2018. The total amount to be repaid of £3,062.52, which included interest, fees and charges of £1,562.52, was due to be repaid in 18 monthly instalments of just over £170. This loan was settled early with some of the proceeds from loan 2.

Everyday Loans then provided Ms B with a second loan for £3,000.00 in June 2019. £1,046.74 of the proceeds from this loan went towards settling the outstanding balance on loan 1. The total amount to be repaid of £6,158.88, which included interest, fees and charges of £3,158.88, was due to be repaid in 18 monthly instalments of just under £350.

One of our adjudicators reviewed Ms B's complaint and he thought Everyday Loans ought to have realised that it shouldn't have provided Ms B with either of these loans. So he thought that Ms B's complaint should be upheld.

Everyday Loans didn't respond to our adjudicator's assessment. So the case was passed to an ombudsman for a final decision as per the next step of our dispute resolution process.

## 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 Ms B's complaint. Having carefully considered everything I've decided to uphold Ms B's complaint. I'll explain why in a little more detail.

Everyday Loans needed to make sure it didn't lend irresponsibly. In practice, what this means is Everyday Loans needed to carry out reasonable checks to be able to understand whether Ms B 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 credit checks before both loans were provided. The results of which showed that Ms B had an extended history of taking out payday type lending. Furthermore, a significant proportion of her monthly income was going towards credit repayments. And she was still borrowing from payday type lenders after having been provided with loan 1.

I'm also mindful that Everyday Loans relied on the use of average data to calculate Ms B's living expenses. This is despite the fact that the information on her credit file showed she didn't fit the profile of the average borrower. And even then even on Everyday Loans' calculations the payments to these loans would take Ms B right to the limit of her disposable income.

All of this leaves me persuaded by what Ms B has said about already being in a difficult financial position at the time of these loans. And while it's possible Ms B's financial position wasn't as a result of 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 Ms B's version of events here.

As this is the case, I do think that Ms B's existing financial position meant that she was always unlikely to be able to afford the payments to these loans, without undue difficulty or borrowing further. And I'm satisfied that, bearing in mind everything, reasonable and proportionate checks would more like than not have shown Everyday Loans that it shouldn't have provided these loans to Ms B. As Everyday Loans provided Ms B with these loans, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Ms B ended up paying interest, fees and charges on loans she shouldn't have been provided with. So I'm satisfied that Ms B 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 Ms B**

Having thought about everything, Everyday Loans should put things right for Ms B by:

- refunding all interest, fees and charges Ms B paid on her loans;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Ms B to the date of settlement†;
- removing all adverse information it recorded on Ms B's credit file as a result of these loans.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Ms B 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 Ms B'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 Ms B to accept or reject my decision before 24 April 2023.

Jeshen Narayanan
**Ombudsman**