

Complaint

Ms M has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to her.

She says that the loan was unaffordable for her and should never have been provided.

Background

Everyday Loans provided Ms M with a loan for £4,000.00 in September 2018. This loan had an APR of 99.1% and a term of 48 months. This meant that the total amount to be repaid of £13,717.92, including interest, fees and charges of £9,217.92, was due to be repaid in 48 monthly instalments of just over £285.

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

Everyday Loans disagreed 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 Ms M’s complaint. Having carefully considered everything I’ve decided to uphold Ms M’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 Ms M. In practice, what this means is Everyday Loans needed to find out enough about Ms M such that it could have a reasonable understanding of whether Ms M 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 and obtained bank statements before this loan was provided. The credit check showed that

Ms M was already significantly indebted. Ms M had outstanding balances on a number of payday and other high-cost loans and she was paying current account charges too.

I also have concerns that the recorded purpose of this loan was debt consolidation. This is because Ms M was supposedly going to consolidate, at least some, debts where the total amount Ms M would pay was twice the amount borrowed. And the interest on this loan was not capped in that way.

So it's unclear to me how this loan, which was on such disadvantageous terms, was going to improve Ms M's already precarious financial position going forward and how Everyday Loans could accept what Ms M said at face value in these circumstances.

Overall and having considered everything, I'm persuaded by what Ms M has said about already being in a difficult financial position at the time she took out this loan. And while it's possible Ms M's indebtedness 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 Ms M's version of events.

As this is the case, I do think that Ms M'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 Ms M'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 Ms M with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

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

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

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

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Ms M 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 M'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 M to accept or reject my decision before 28 April 2023.

Jeshen Narayanan
Ombudsman