DRN-4142745

## Complaint

Mr P has complained about personal loans Everyday Lending Limited (trading as "Everyday Loans") provided to him. He says the loans were irresponsibly lent to him.

## Background

Everyday Loans initially provided Mr P with a first loan for £1,500.00 in August 2016. The total amount to be repaid of £2,945.76, including interest, fees and charges of £1,475.76, was due to be repaid in 24 monthly instalments of just under £125. This loan was settled early with some of the proceeds from loan 2.

Everyday Loans then provided Mr P with a second loan for £2,100.00 in July 2017. £1,028.48 of the proceeds from this loan went towards settling the outstanding balance on loan 1. The total amount to be repaid of £6,408.72, including interest, fees and charges of £4,308.72, was due to be repaid in 36 monthly instalments of just under £180.

Everyday Loans then provided Mr P with a third loan for £1,000.00 in June 2018. The total amount to be repaid of £1,870.56, including interest, fees and charges of £870.56, was due to be repaid in 24 monthly instalments of just under £80. This loan was settled early with some of the proceeds from loan 4.

Everyday Loans then provided Mr P with a fourth loan for £3,100.00 in June 2019. £720.86 went towards settling the outstanding balance on loan 3. The total amount to be repaid of £7,117.20, including interest, fees and charges of £4,017.20, was due to be repaid in 36 monthly instalments of just under £200. This loan was settled early with some of the proceeds from loan 5.

Finally Everyday Loans provided Mr P with a fifth loan for £4,057.87 in May 2020. £3,057.50 went towards settling the outstanding balance on loan 4. The total amount to be repaid of £7,342.20, including interest, fees and charges of £3,284.33, was due to be repaid in 36 monthly instalments of just under £205.

One of our adjudicators reviewed Mr P's complaint and he thought Everyday Loans didn't do anything wrong when providing loans 1, 2, 3 and 4 but that it ought to have realised that it shouldn't have provided Mr P with loan 5. So he thought that Mr P's complaint should be partially upheld.

Mr P agreed with our adjudicator's conclusions. But on the other hand Everyday Loans disagreed. So the case was passed to an ombudsman for a final decision as per the next stage our of dispute resolution process. As the parties appear to be in agreement on the outcome reached for loans 1 to 4, this decision is only looking at whether Everyday Loans should have provided Mr P with loan 5.

## 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 Mr P's complaint.

Having carefully considered everything I've decided to uphold Mr P'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 proportionate checks to be able to understand whether Mr P 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.

There may also be other factors which could influence how detailed a proportionate check should've been for a given loan application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've carefully thought about all of the relevant factors in this case.

The information Everyday Loans has provided suggested that it carried out credit checks and obtained bank statements before loan 5 was provided. The results of which showed that Mr P was significantly more indebted than he was at the time he was provided with loan 1.

I'm also concerned that Mr P's indebtedness and reliance on high-cost lending was growing. After all he'd begun with a loan of £1,500.00 requiring payments of £125 for two years. Yet approaching four years later (almost double the period the first loan was meant to last) Mr P was provided with a further loan for over £4,000.00 requiring monthly payments of over £200 for a further three years. The information I've been provided with also shows that Mr P was making payments to at least one debt collection agency at this time too.

All of this leaves me persuaded by what Mr P has said about already being in a difficult financial position at the time. And while it's possible Mr P'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 Mr P's version of events here.

As this is the case, I do think that Mr P's existing financial position meant that he was unlikely to be able to afford the payments to loan 5, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more like than not have shown Everyday Loans that it shouldn't have provided loans 5 to Mr P as not only was it likely unaffordable, it would increase Mr P's indebtedness in a way that was unsustainable or otherwise harmful.

As Everyday Loans provided Mr P with loan 5 notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr P ended up paying interest, fees and charges on a loan he shouldn't have been provided with. So I'm satisfied that Mr P 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 Mr P**

Having thought about everything, Everyday Loans should put things right for Mr P by:

- refunding all interest, fees and charges Mr P paid on loan 5;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr P to the date of settlement†;
- removing all adverse information it recorded on Mr P's credit file as a result of loan 5.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mr P a certificate showing how much tax it has taken off if he asks for one.

**My final decision**

For the reasons I've explained, I'm upholding Mr P'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 Mr P to accept or reject my decision before 19 June 2023.

Jeshen Narayanan
**Ombudsman**