

## **Complaint**

Ms R has complained about guarantor loans Everyday Lending Limited (trading as “George Banco”.com) provided to her. She says the loans were unaffordable.

## **Background**

George Banco initially provided Ms R with a guarantor loan for £3,000.00 in January 2018. This loan had an APR of 61.84% and a term of 36 months. This meant that the total amount to be repaid of £5,785.92, including interest, fees and charges of £2,785.92, was due to be repaid in 36 monthly instalments of just over £160. This loan was repaid early with some of the funds from loan 2.

Ms R was then provided with a second guarantor loan for £4,500.00 in August 2018. £2,809.87 went towards settling the outstanding balance on loan 1. This loan had an APR of 49.7% and a term of 60 months. This meant that the total amount to be repaid of £10,653.60, including interest, fees and charges of £6,153.60, was due to be repaid in 60 monthly instalments of just under £180.

One of our investigators reviewed Ms R’s complaint and she thought that George Banco hadn’t done anything wrong when providing loan 1, but didn’t act fairly and reasonably when providing loan 2, as loan 2 was provided in circumstances where it ought to have realised it was unaffordable. So she thought that Ms R’s complaint should be partially upheld. Ms R didn’t disagree with our investigator. But George Banco did disagree and so an ombudsman was asked to consider the case.

As the parties are in agreement regarding the outcome on loan 1, this decision is looking solely at whether George Banco acted fairly and reasonably when providing loan 2 to Ms R.

## **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 R’s complaint.

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

George Banco needed to make sure it didn’t lend irresponsibly. In practice, what this means is George Banco needed to carry out proportionate checks to be able to understand whether Ms R could afford to repay any credit it provided. The fact that George Banco may also have been able to seek payments from a guarantor did not alter or dilute this obligation in any way.

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 George Banco has provided suggested that it carried out a credit check before this loan was provided. The results of which showed that Ms R was already significantly indebted and had taken out other loans in the lead up to this application.

Furthermore, George Banco's own income and expenditure assessment, which was calculated with the use of estimated expenditure in circumstances where Ms R's existing indebtedness suggested she fell outside the profile of the average borrower, indicated that Ms R would have little left over after the monthly payments for loan 2.

I've also considered what George Banco has said about some of the funds for loan 2 being for consolidation. However, 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 Ms R's outgoings going forward.

I say this while particularly mindful that loan 1 was purportedly taken for consolidation and yet Mr R returned for further borrowing a mere matter of months later. I think it was unreasonable for George Banco to take it at face value that the funds would be used in this way given what had happened previously.

Overall and having considered everything, I'm persuaded by what Ms R has said about already being in a difficult financial position at the time. And while it's possible Ms R's troubles 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 George Banco, I've been persuaded to accept Ms R's version of events.

As this is the case, I do think that Ms R's existing financial position meant that she was unlikely to be able to afford the payments to this loan 2, without borrowing further or suffering significant adverse consequences. And I'm therefore satisfied that reasonable and proportionate checks would more like than not have shown George Banco that it shouldn't have provided loan 2 to Ms R.

As George Banco provided Ms R with this loan, notwithstanding this, I'm satisfied that it didn't act fairly and reasonably towards her.

Ms R ended up paying interest, fees and charges on loan 2 which she shouldn't have been provided with. So I'm satisfied that Ms R lost out because of what George Banco did wrong and that it should put things right.

### **Fair compensation – what George Banco needs to do to put things right for Ms R**

Having thought about everything, I'm satisfied that George Banco should put things right for Ms R by:

- refunding all interest, fees and charges Ms R actually paid on loan 2;

- adding interest at 8% per year simple on any refunded interest payments from the date they were made by Ms R to the date of settlement†;
- removing any and all adverse information it may have recorded on Ms R's credit file as a result of loan 2.

† HM Revenue & Customs requires George Banco to take off tax from this interest. George Banco must give Ms R 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 R'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 R to accept or reject my decision before 25 August 2023.

Jeshen Narayanan  
**Ombudsman**