DRN-4223564

Complaint

Miss D has complained about a loan Everyday Lending Limited (trading as "Everyday Loans") provided to her. She says the loan was unaffordable.

Background

Everyday Loans provided Miss D with a loan for £4,800.00 in November 2022. This loan had a term of 42 months and an APR of 72.7%. This meant that the total amount to be repaid of £10,754.94, including interest, fees and charges of £5,954.94, was due to be repaid in 42 monthly instalments of £256.07.

One of our adjudicators reviewed Miss D's complaint and she thought Everyday Loans shouldn't have provided Miss D with her loan. So she thought that Miss D's complaint should be upheld.

Everyday Loans didn't respond 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 Miss D's complaint. Having carefully considered everything I've decided to uphold Miss D'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 Miss D. In practice, what this means is Everyday Loans needed to find out enough about Miss D such that it could have a reasonable understanding of whether Miss D 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 asked Miss D to provide payslips and that it carried out a credit check before this loan was provided. The results of which showed that Miss D was already paying a significant proportion of her monthly income towards credit repayments.

I'm also concerned that Everyday Loans' own income and expenditure calculation relied on the use of average data and minimum payments to Miss D's revolving credit commitments to calculate Miss D's expenditure. This is in circumstances where Miss D's indebtedness didn't suggest that she fit the profile of the average borrower.

I also have concerns that the recorded purpose of this loan was debt consolidation. This is because Miss D was consolidating debts which had a significantly lower rate of interest. So it's unclear to me how this loan, which was on such disadvantageous terms, was going to improve Miss D's already precarious financial position going forward.

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

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

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

Having thought about everything, Everyday Loans should put things right for Miss D by:

- removing all interest, fees and charges applied to Miss D's loan from the outset. The payments Miss D made, whether to Everyday Loans or any third-party debt purchaser, should be deducted from the new starting balance – the £4,800.00 originally lent. If Miss D has already paid Everyday Loans more than £4,800.00 then it should treat any extra as overpayments. And any overpayments should be refunded to Miss D;

- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Miss D to the date of settlement†

- if no outstanding balance remains after all adjustments have been made, all adverse information Everyday Loans recorded about this loan should be removed from Miss D's credit file.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Miss D 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 Miss D'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 Miss D to accept or reject my decision before 7 August 2023.

Jeshen Narayanan
Ombudsman