

Complaint

Mrs N 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 Mrs N with a loan for £1,500.00 in March 2019. This loan had a term of 18 months and an APR of 77.7%. This meant that the total amount to be repaid of £2,337.66, including interest, fees and charges of £837.66, was due to be repaid in 18 monthly instalments of £129.87.

Mrs N also made an application for a second loan from Everyday Loans in September 2020. However, as this loan was never paid out, we’ve not looked into the application for loan 2. And all references made to loan from this point are made in relation to loan 1.

One of our investigators reviewed Mrs N’s complaint and she thought Everyday Loans shouldn’t have provided Mrs N with her loan. So she thought that Mrs N’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 Mrs N’s complaint.

Having carefully considered everything I’ve decided to uphold Mrs N’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 Mrs N. In practice, what this means is Everyday Loans needed to find out enough about Mrs N such that it could have a reasonable understanding of whether Mrs N 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 requested copies of bank statements from Mrs N before this loan was provided. The results of which showed that Mrs N was already paying a significant proportion of her monthly income towards credit repayments and was in a cycle of high-cost lending. And the bank statements obtained also showed that Mrs N was overdrawn too.

So it's unclear to me how this loan, which was on such disadvantageous terms, was going to improve Mrs N's outgoings going forward particularly given the copies of payslips obtained also showed that Mrs N was on a low income too.

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

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

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

Having thought about everything, Everyday Loans should put things right for Mrs N by:

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

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mrs N 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 Mrs N'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 Mrs N to accept or reject my decision before 18 September 2023.

Jeshen Narayanan

Ombudsman