

## **Complaint**

Mr B has complained about a loan Everyday Lending Limited (trading as “Everyday Loans”) provided to him. He says the loan was unaffordable.

## **Background**

Everyday Loans provided Mr B with a loan for £1,300.00 in June 2021. This loan had an APR of 249.5% and a term of 24 months. This meant that the total amount to be repaid of £3,839.52, including interest, fees and charges of £2,539.52, was due to be repaid in 24 monthly instalments of £159.98.

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

Everyday Loans disagreed with our adjudicator’s assessment 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 Mr B’s complaint.

Having carefully considered everything I’ve decided to uphold Mr B’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 B 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 before this loan was provided. The results of which showed that Mr B was already significantly indebted and had a number of accounts with debt collection agencies.

I've seen that Everyday Loans' notes suggest that Mr B explained that he'd fallen into a cycle of short-term lending as a result of his divorce. However, I don't think that it was reasonable to proceed with this application given the amount of short-term lending and the sheer number of accounts with debt collection agencies too.

I also have concerns that this was going to consolidate high-cost short term credit. Everyday Loans argues that this loan was going to take Mr B out of a cycle of loans that were more expensive than its loan. I accept that the loans Mr B was going to consolidate did have high headline APRs. However, Everyday Loans is overlooking the fact that the total amount to be repaid on high-cost short term credit is capped at twice the amount borrowed. This effectively means that a borrower can only pay a maximum of the amount they borrowed in interest.

So, by way of comparison, if that same cap applied to this loan Mr B could only pay a maximum of £1,300.00 in interest and a total amount of £2,600.00. And the interest on this loan, which to be clear while not at high-cost short term credit levels still had an incredibly high APR, was not capped in that way.

This meant that this loan was always going to be far more expensive for Mr B in the long run. And even then it was going to be for a small saving on the monthly amount Mr B had to pay on his existing loans. So it's unclear to me how this loan, which was on such disadvantageous terms, was going to improve Mr B's already precarious financial position going forward.

I'm therefore persuaded by what Mr B has said about his already difficult financial position at the time of this application being worsened by him being approved for this loan. And while it's possible Mr B's difficulties reflected his 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 plausible counter arguments from Everyday Loans, I've been persuaded to accept Mr B's version of events.

As this is the case, I do think that Mr B's existing financial position meant that he was unlikely to be able to afford the payments to this loan, without undue difficulty or borrowing further. And I'm satisfied that it wasn't fair and reasonable to provide this loan to Mr B. As Everyday Loans provided Mr B with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

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

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

- removing all interest, fees and charges applied to the loan from the outset. The payments Mr B made should be deducted from the new starting balance – the £1,300.00 originally lent. If the amount Mr B has already repaid exceeds £1,300.00 then Everyday Loans should treat any extra as overpayments. And any overpayments should be refunded to Mr B;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr B 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 Mr B's credit file.

† HM Revenue & Customs requires Everyday Loans to take off tax from this interest. Everyday Loans must give Mr B 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 B'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 B to accept or reject my decision before 30 October 2023.

Jeshen Narayanan  
**Ombudsman**