

The complaint

Mr S, who is represented by a third party, complains that Everyday Lending Limited, trading as GeorgeBanco.com ('George Banco'), was irresponsible in its lending to him.

What happened

Mr S was provided with three fixed sum loan agreements, each of them taken as a guarantor loan. Loan 1 was taken out in October 2015 for £4,000 with monthly payments of £150.35 over 60 months; Loan 2 was taken out in February 2017 for £6,300 with monthly payments of £236.79 over 60 months. Loan 3 was taken out in November 2020 for £7,500 with monthly payments of £295.94 over 60 months.

Mr S says at the time of each lending agreement he was in financial difficulty and that adequate checks would have shown that the loans weren't affordable.

George Banco said that for each of the three loans it had carried out credit checks and relied on information Mr S provided about his financial circumstances when making each application. Based on that, George Banco said each of the loans was affordable.

Our investigator thought the evidence collected showed that Mr S was likely to have been struggling financially at the time he took out each of the three loans so they shouldn't have been granted.

In my provisional decision dated 24 August 2023 I explained why I was intending only to uphold the first loan. I set out an extract below:

"Loan 1 – October 2015

Mr S said he'd taken out this loan for debt consolidation. Before granting the finance, I've seen that George Banco carried out a credit check as well as relying on the information Mr S set out in his application. The credit check showed that Mr S was already owing credit of around £4,500. Given that he was on a relatively low income of around £1,300 per month this was a significant amount of debt to be managing.

I've also seen that George Banco used statistical data to allow £175 for cost of living expenses and £350 for housing costs. So it's fair to say that sustainable monthly repayments towards these debts would take up a significant proportion of Mr S's income. This is something George Banco was aware of, having factored it in to the reduction in Mr S's monthly outgoings that taking the loan would create. This meant that George Banco was able to increase the amount of disposable income it thought Mr S would be likely to have for the purpose of its calculations. Taking everything into account, I think it would have been proportionate for George Banco to have got a more thorough understanding of Mr S's financial circumstances before granting him this first loan.

Even allowing for the fact that Mr S was using the loan for debt consolidation, his credit check shows an ongoing substantial debt commitment. I say this having noted that Mr S was holding at least four credit cards with an outstanding balance as well as owing money to a

telecoms company under a credit agreement. And for the credit card with the largest balance, being around £2,200, Mr S appeared to have gone over his credit limit on four occasions in the previous five months. On another card he had gone over his allowed credit limit four months earlier. I've also kept in mind that a key factor in the affordability of the new lending was the assumption by George Banco that Mr S would use all the loan to pay off his existing credit commitments, without going on to incur further debt. It's quite possible that Mr S could have decided to use some or all of the loan funds for other uses, should he have wished to. This would have further increased his level of debt with a likelihood that he would be left with no or very little disposable income each month.

It follows that I think the extent of Mr S's existing credit commitments showed there was a real risk that this lending would lead to a worsening of Mr S's financial circumstances. I've also kept in mind that Mr S was committing to making these payments for over a five year period at a relatively high interest rate.

It follows that I agree this loan was not sustainably affordable to Mr S.

Loans 2 and 3 – February 2017 and November 2020.

For loan 2, which was for £6,300, I note that Mr S said the main purpose was to help with moving costs. I think it's likely though that at least some of the funds that would be left after he'd settled his existing loan, would be used for consolidation or other purposes. Loan 3, which also appears to have been taken out by way of top up, was for £7,500. For both loans, I think it's also worth noting that on his application Mr S said his monthly income had increased, to £2,300.

At the time of taking out Loan 2 Mr S still owed around £2,600 in existing credit by way of new credit cards he'd taken out. This was separate to the loan repayments he'd be making for the next five years. He had also been exceeding the balance on one of his credit cards on several occasions prior to Loan 2 being agreed. And by the time he took out Loan 3 his borrowing on credit cards had increased to around £7,000.

I think it would have been proportionate for George Banco to have verified Mr S's income in some way for each of these two loans, given that according to his application, it had increased significantly. And given that Mr S was likely to be increasing his overall level of debt by taking each loan, I think it would have been proportionate for George Banco to have taken steps to find out more about Mr S's income and committed expenditure, such as his living costs.

Our investigator asked Mr S and those representing him for some further details and evidence about his financial circumstances at the relevant time. This was to help us understand what, if anything, George Banco might have found out if it completed reasonable and proportionate checks. However, Mr S hasn't provided sufficient information to help us determine whether or not George Banco made a fair lending decision for loans 2 and 3. So, whilst I have concerns about the checks that were carried out for these loans, I'm not able to making a finding that George Banco acted unfairly when granting them.

It follows that from all the evidence and information I've seen, I'm currently satisfied that for Loan 1 Mr S was continuing to struggle with difficult financial circumstances. It follows that I think George Banco shouldn't have considered this loan as being sustainably affordable for Mr S and did not act reasonably in approving it.

But I don't currently consider that George Banco acted unfairly in granting Loans 2 and 3. Both Mr S and George Banco should feel free to provide me with any further evidence or information by the date stated above. "

Neither Mr S, those representing him or George Banco have responded to my provisional decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Given that I have not provided with any further evidence or information to consider, I shall be making a decision to partially uphold this complaint on the same basis as my provisional decision. That means I am upholding this complaint for Loan 1, but I don't currently consider that George Banco needs to do anything more for Loans 2 and 3.

The following redress therefore applies.

Putting things right – what George Banco needs to do

Having thought about everything, I'm currently minded to conclude that, **for Loan 1 only**, George Banco should put things right for Mr S by:

- Refunding all interest, fees and charges Mr S paid on the loan;
- Adding interest at 8% per year simple on any refunded payments from the date they were made to the date of settlement.*
- If any capital balance remains outstanding, then George Banco should attempt to arrange an affordable and suitable payment plan with Mr S.
- Once the outstanding balance has been repaid, remove all adverse information it has recorded about this loan from Mr S's credit file.

*HM Revenue & Customs requires George Banco to take off tax from this interest. George Banco must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint for Loan 1 (but not Loans 2 and 3) and require Everyday Lending Limited, trading as GeorgeBanco.com, to take the actions set out above in settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 October 2023.

Michael Goldberg
Ombudsman