

The complaint

Ms P complains that Everyday Lending Limited have provided her with a settlement figure for a loan which is higher than it should be. She's also unhappy that she wasn't made aware that interest would be payable if the loan was settled early.

What happened

In July 2022 Ms P took out a loan with Everyday Lending for £6100 for a term of 48 months. The total amount repayable (including interest with an APR of 76%) was £15,951.36 repayable by monthly payments of £332.32 per month over a term of 48 months.

Ms P made 13 contractual payments and 3 payments of £219.78 before requesting a settlement figure.

Everyday Lending provided a settlement figure to Ms P in a letter dated 12 January 2024.

Ms P complained to Everyday Lending. She said the settlement figure was higher than it should be, and she was unaware that she'd have to pay interest if she settled the loan early.

Everyday Lending didn't uphold the complaint. It said the settlement quote had been provided in accordance with the Consumer Credit (Early Settlement) Regulations 2004 and The Consumer Credit Act 1974 and that the settlement figure calculation was correct.

Ms P remained unhappy and brought her complaint to this service.

Our investigator didn't uphold the complaint. He said the terms and conditions of the loan agreement stated that if the agreement was settled early, the full amount of interest which would've been payable up to the end of the loan is payable, less any statutory rebate. The investigator said that Everyday Lending had calculated the settlement figure in accordance with the relevant regulations, and that in doing so it hadn't treated Ms P unfairly.

Ms P didn't agree. She said she felt that she'd been misled by Everyday Loans because she hadn't realised that all the payments she'd been making were interest payments. Ms P said that when she took out the loan she was told it was for £6,100 and she didn't understand why she was now being told that it was for £15,000. Ms P said she still didn't know how much she owed to Everyday Lending.

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.

Ms P took out a loan for £6,100. The loan was subject to interest at an APR of 76%, which meant that the total amount repayable by Ms P was £15,951.36. The sum of £15,951.36 was repayable over a term of 48 months at £332.32 per month.

Ms P has said that when she took out the loan she understood that it was for £6,100. She said she doesn't understand why she is now being told that the loan was for £15,000. The

higher figure is the cash value of the loan plus the total interest payable as I've set out above. The figures I've set out above are the starting point for the calculation of the settlement figure.

Ms P has said that she didn't realise that interest would be payable if the loan was settled early. So I've thought about whether Everyday Lending made this clear to Ms P when she took out the loan.

I've reviewed the terms and conditions of the loan agreement. Ms P agreed to the terms and conditions when she signed the agreement at the inception of the loan. The terms and conditions clearly state (section 10.2) that where the agreement is settled early, the full amount of interest which would've been payable up to the end of the loan is payable, less any statutory rebate.

The relevant law – the Consumer Credit Act 1974 – allows a borrower to settle a credit agreement early i.e., before the expiry of the agreed term. Where a borrower asks to settle the agreement early – as in Ms P's case – the Consumer Credit (Early Settlement) Regulations 2004 set out how the lender should calculate what the borrower needs to pay. These regulations allow a lender to calculate a settlement figure which is valid until 28 days after the date when the request for a settlement figure was made. In addition, if the original term of the agreement was for more than a year – as in Ms P's case – the regulations allow the lender to defer the settlement date (for the purposes of calculating the interest rebate) for a further 30 days. In other words, the regulations allow a lender to charge interest for a period of 58 days from the date of the settlement request.

I've reviewed the settlement calculation provided by Everyday Lending. I'm satisfied that the lender's right to charge interest (less any statutory rebate) was made clear to Ms P at the start of the agreement. I'm also satisfied that Everyday Lending has provided the settlement figure in accordance with the relevant regulations. In the circumstances, I'm unable to say that Everyday Lending has made an error or treated Ms P unfairly.

Ms P has raised some specific questions about how much interest she has paid off (as compared to how much capital). This service isn't qualified to provide accountancy advice and I'm not able to make any assessment of whether the interest has been calculated correctly. But what I can do is look at whether the relevant regulations have been applied fairly and look at whether Everyday Lending has treated Ms P fairly.

What I am able to say – in general terms – is that most of Ms P's payments that she's made to date will have been applied towards the interest on the loan and won't have reduced the capital balance. This is because it's usual for any loan product that the majority of payments early on in the term are towards interest, with the capital balance reducing gradually. As the term progresses, the proportion of the repayment applied to interest reduces.

Ms P has said that she still doesn't know how much she owes to Everyday Lending. If Ms P wants to see a statement of what's left to pay under the agreement (based on the full term of the loan) then she can request this from Everyday Lending. If Ms P still wishes to settle the agreement early, she will need to request a new early settlement figure.

Having considered all the available information, I'm not persuaded that Everyday Lending has done anything wrong here. I won't be asking it to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 22 August 2024.

Emma Davy
Ombudsman