Financial Ombudsman Service

complaint

Mrs G complains on behalf of her son Mr G about the total amount repayable on a loan made by Everyday Lending Limited.

background

Mr G took out a loan with Everyday in August 2016. The loan was for £2000 over 30 months and the monthly repayments were £141.90 making a total amount repayable of £4,257.00.

Mrs G complains that the interest charged is more than twice the amount borrowed. She says that Everyday shouldn't have lent Mr G the money because he had taken out payday loans earlier in the year and also had a large overdraft and a bank loan.

Mrs G wants Everyday to freeze interest and remove penalty charges and to agree an affordable repayment plan with Mr G. She says that Mr G is experiencing financial difficulties and associated health issues.

The investigator did not uphold the complaint. She said that the loan wasn't a payday loan and that Everyday could decide what interest rate to charge. She also said that Everyday had carried out affordability checks which showed that Mr G had sufficient disposable income to repay the loan.

Mrs G did not agree. She said that the fact that Mr G had previously taken out payday loans should've indicated to Everyday that he wasn't capable of managing his finances. She also said that Mr G's bank statements showed that he had exceeded his overdraft limit and that there were a number of betting transactions which were indicative of a gambling problem.

my findings

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

Mrs G says that Everyday are not allowed to charge more than twice the amount borrowed. She is referring to the cap which was introduced by the Financial Conduct Authority in January 2015 which applies to high cost short term credit (payday loans).

The definition of a payday loan is where the APR is equal to or exceeds 100% and where the repayment term is 12 months or less. The Everyday loan is not a payday loan because the APR is 93.6% and the repayment term is more than 12 months.

Mrs G says that the interest rate charged by Everyday is too high. The interest rate on a loan is a commercial decision for the lender and not one with which this service would normally interfere.

I've checked to see whether the interest rate was made clear to Mr G when he was offered the loan. I'm satisfied that the loan agreement shows full details of the interest rate, the monthly payments and the total amount repayable.

The loan agreement also says that fees and charges will be applied if payments are missed. I can see that Mr G has missed several payments. I'm satisfied that Everyday have added fees and charges in line with the terms and conditions of the loan, so I can't find that its made an error or that it should refund the charges.

Mrs G says that Mr G was never in a position to repay the loan. She says that he had already taken out several payday loans and that he had other debts.

I've looked at the information obtained by Everyday when it carried out affordability checks. This shows that Mr G's employment status and salary was confirmed. Everyday looked at Mr G's bank statements for the last 3 months to check his income and expenditure. It also obtained a credit report which showed two credit cards and a bank loan. Having carried out these checks, Everyday found that the loan was affordable on the basis that Mr G had approximately £591.00 disposable income each month.

Mrs G says that Mr G had several payday loans already. Everyday say that details of these were on Mr G's credit file and that they had already been settled several months previously. Mrs G says that she paid off the payday loans for Mr G. But unless Mr G or Mrs G told Everyday about this at the time (which they didn't) then I can't see that Everyday would've known this. So I can't find that it acted unreasonably.

Mrs G says the fact that Mr G had payday loans previously should've indicated to Everyday that Mr G couldn't manage his finances. But the information available to Everyday showed that Mr G had paid off these loans within a short space of time, which demonstrated that he was capable of managing his credit and would have had a positive effect on his credit file.

On balance, and although it's clear that Mr G's financial position has worsened since, I'm satisfied that Everyday carried out appropriate affordability checks and that these showed that the loan was affordable.

Mrs G says that Mr G has a gambling problem and that this should've been apparent to Everyday from the bank statements. I've looked at the bank statements that Mr G gave to Everyday and I can't see anything which would have alerted Everyday to this issue. So I can't find that it acted unreasonably or irresponsibly in advancing the loan.

I understand that Mr G is now in financial difficulties. Mrs G wants interest frozen on the loan. I would expect Everyday to act positively and sympathetically in these circumstances. This doesn't oblige it to freeze interest or to refund charges, but it should try to reach agreement with Mr G about an affordable payment plan. That said, I can see that Mr G has now entered into an IVA so his payments will now be managed by an Insolvency Practitioner.

Taking all of the circumstances of this case into account, I'm unable to uphold the complaint.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 4 September 2017.

Emma Davy

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