

complaint

Mr W complains that Curo Transatlantic Limited trading as Wage Day Advance (WDA) gave him unaffordable payday loans and an instalment loan. He wants compensation and for his credit file to be amended.

background

Mr W had nine payday loans and one instalment loan from WDA between October 2015 and December 2016. He said he borrowed more to repay previous loans and he couldn't afford the loans. WDA said it had carried out appropriate checks on Mr W's income and outgoings and only lent him what he could comfortably repay from his stated disposable income.

Our adjudicator recommended that the complaint should be upheld in part. She thought WDA's affordability checks were proportionate and sufficient for Mr W's first two loans, but not thereafter. She thought that if WDA had made better checks it would have found that all Mr W's payday loans from loan three onwards were unaffordable and that it wouldn't be responsible to approve the instalment loan.

So the adjudicator recommended that WDA refund Mr W the interest and charges he paid from loan three onwards, with interest, and offset this against any balance owing. She also thought it should remove any related adverse information from his credit file.

WDA replied that it had also carried out credit checks and these didn't show anything untoward. So it thought its checks had been proportionate. It said it was for Mr W to provide accurate information about his finances.

my findings

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

Mr W's first two loans were for £150 (£176.40 including interest) and £180 (£217.44). He then immediately borrowed £330 (£393.60). Mr W's next six loans were back to back for £300. He repaid these and then his instalment loan was for £500. Mr W was then expected to repay six monthly instalments of £156.80. He repaid two instalments and a balance remains outstanding.

WDA was required to lend responsibly. It should have made checks to make sure Mr W could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr W was borrowing, and his lending history. But there was no set list of checks WDA had to do.

WDA said it asked Mr W for details of his monthly income and expenditure for each loan. He said his income was £1,300 for his payday loans and £1,400 for his instalment loans. His outgoings were £550 for loans one to three, then £800 for the rest of his loans. WDA asked about his housing and living costs and credit commitments. WDA also carried out credit checks on Mr W but I haven't been provided with the results of these.

I agree with the adjudicator that WDA's checks were proportionate and sufficient for Mr W's first two loans. The repayments were small compared to his stated income. WDA also asked for his outgoings and so checked that he had sufficient disposable income to repay them.

I think it was reasonable for WDA to rely on Mr W's stated information unless it had reason for concern. So I can't say it was wrong for WDA to approve these two loans.

Loan three was for a larger amount. Mr W had to repay over a quarter of his income. It was the third loan in as many months and taken back to back with the previous two. I can appreciate that Mr W repaid his first two loans on time. But I think the pattern of his borrowing and the increase in amount should have prompted WDA to ask further questions about Mr W's circumstances from this point. I think there were now sufficient concerns for it to no longer safely rely on his stated income and outgoings.

I think WDA should have verified what Mr W had told it and also looked at his other borrowing, both regular and short-term, to make sure that the loan was affordable.

I've looked at Mr W's bank statements from the time to get this information, but WDA could easily have asked Mr W for it. I can see that Mr W hadn't been accurate about his credit outgoings and he had substantial commitments to other short-term lenders. These, plus his regular bills and living expenses accounted for most or all his income for the rest of his payday loans. So Mr W didn't have enough disposable income to repay his payday loans without further borrowing.

Further enquiries would also have shown that Mr W was gambling heavily. I think if WDA had known this, as a responsible lender, it wouldn't have approved further loans, including the instalment loan.

So I think if WDA had made sufficient and proportionate checks, it would have seen, as I have, that Mr W couldn't afford his loans from loan three onwards. So I think it was wrong to approve them.

my final decision

My final decision is that I uphold this complaint in part. I require Curo Transatlantic Limited trading as Wage Day Advance to do the following:

1. Refund Mr W the interest and charges he paid from loan three onwards, adding interest at 8% simple per annum from the date of payment to the date of settlement. It should waive any outstanding charges and interest and offset the refund against the principal still owed and pay the rest to Mr W.
2. HM Revenue & Customs requires WDA to withhold income tax from that interest. It must give Mr W a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr W's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 November 2017.

Phillip Berechree
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