

complaint

Mr M complains that payday loans he took out with Wage Day Advance Limited were unaffordable. He's also unhappy about the way it has investigated his complaint.

background

Mr M took out a payday loan with Wage Day and it was rolled over nine times before being paid off some nine months later. A month after that he took out another loan and it was rolled over four times before he told Wage Day he was in financial difficulties. A reduced payment plan was arranged. But Mr M says he wasn't told of a charge that was applied for the payment plan. Mr M says the second loan shouldn't have been approved as his bank statements supplied to Wage Day showed a high level of payday debt and spending on gambling. He's also unhappy that Wage Day hasn't addressed his complaint about the first loan.

Our adjudicator recommended that this complaint should be upheld. He considered that:

- Wage Day asked on the first application about Mr M's earnings but not his outgoings. This is not enough. If it had asked about his outgoings it would've seen that he had a high level of payday debt and would struggle to repay the loan on time. The original lending to Mr M was irresponsible.
- Wage Day also hadn't undertaken proper credit assessments when the loan was rolled over. If it had done so it would've seen he was experiencing difficulty repaying it. Rolling over the loan was irresponsible as it was unaffordable.
- It was also irresponsible of Wage Day to agree to the second loan.
- Mr M was made aware of the charge for setting up the reduced payment plan. But imposing it when he was in financial difficulty wasn't acting positively and sympathetically.
- Wage Day hasn't completed a full investigation into Mr M's complaint which relates to both loans not just the second one.
- Wage Day should therefore refund all interest and charges paid by Mr M on both loans plus interest. It should also pay him £100 compensation.

Wage Day didn't agree. But it has most recently offered to refund all interest and charges from the second loan and pay £25 compensation. Mr M doesn't agree to this.

my findings

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

I agree with the adjudicator's conclusions for broadly the same reasons

I don't think Wage Day carried out an adequate affordability check before first lending money to Mr M. It asked him about his earnings but didn't ask about his outgoings. It asked for copies of his bank statements. They showed payments being made to a number of other

payday lenders. Once the loan was granted Mr M's account history was of repeated rollovers.

Whatever level of checks Wage Day was required to carry out at the time of each rollover or loan application I think it should have been alerted to the fact that he may have been in financial difficulty and was reliant on short term lending. I think if Wage Day had carried out adequate affordability checks it would've most likely reasonably concluded that the loans and rollovers shouldn't be granted.

I don't think Wage Day's most recent offer to refund interest and charges from the second loan and pay £25 compensation goes far enough.

Overall, I agree with the adjudicator that it's a fair and reasonable resolution of this complaint for Wage Day to refund all interest and charges paid by Mr M on both loans plus interest. It should also pay Mr M £100 compensation for the upset and inconvenience it has caused him.

So, I see no compelling reason to change the proposed outcome in this case.

my final decision

For the reasons I've discussed above my decision is that I uphold this complaint and I require Wage Day Advance Limited:

1. To refund to Mr M all interest and charges applied on both loans plus simple interest at the rate of 8% a year from the date of each payment of them until the date of settlement; and
2. To pay Mr M £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 May 2015.

Stephen Cooper
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