

complaint

Mr D complains that CURO TRANSATLANTIC LIMITED (trading as WageDayAdvance) was irresponsible to continue to lend to him. He further complains that WageDayAdvance addressed him incorrectly in its correspondence.

background

Mr D had six loans from WageDayAdvance between December 2013 and October 2015 as follows:

Loan	Date	Amount	Term	Scheduled Repayment		Repaid
1	9 Dec 2013	£200	11d	£259	20 Dec 2013	27 Dec 2013, late
2	14 Jan 2014	£350	14d	£453.25	28 Jan 2014	On time
3	21 Feb 2014	£215	1m	£278.43	28 Mar 2014	On time
4	21 Dec 2014	£415	17m	£99.38	27 May 2016	10 Jun 2015, early
5	20 Jul 2015	£510	1m	£757.56	28 Aug 2015	15 Sep 2015, late
6	28 Oct 2015	£400	1m	£496	27 Nov 2015	4 May 2016, 2 deferrals

Mr D says the loans trapped him into a debt spiral and that WageDayAdvance should have realised his debt problems were getting worse due to the rollovers and missed payments. He says his credit report would have shown late payments and defaults and he was on a debt management plan for some of his accounts. Mr D says he also had a gambling habit which WageDayAdvance would have seen if it had carried out further checks.

WageDayAdvance upheld Mr D's complaint in part and offered to refund interest and charges on loans 4 to 6. WageDayAdvance says it asked Mr D about his income and expenditure and found loans 1 to 3 to be affordable. However, it now believes it should have conducted further checks before approving loans 4 to 6.

WageDayAdvance has now also apologised to Mr D for the mistake in its correspondence and has amended its systems accordingly.

Our adjudicator recommended the complaint should be upheld. He accepted WageDayAdvance had already upheld Mr D's complaint about loans 4 to 6, but he also considered it should have done better checks before approving loans 2 and 3. He found that, had it done so, WageDayAdvance is likely to have discovered that Mr D owed over £1,000 to other short-term loan companies. So our adjudicator didn't consider loans 2 and 3 were affordable and recommended WageDayAdvance should refund interest and charges on the loans (plus 8% statutory interest) and remove any associated negative information from his credit file.

WageDayAdvance responded to say, in summary, that it did not agree with the adjudicator's assessment of loans 2 and 3. It said it did not consider the second loan application to be significantly higher than the first and the repayment was only just over 30% of the declared income. It said the repayment was affordable based on Mr D's declared disposable income. It added that it didn't consider Mr D had established a pattern of lending and, as loan 3 was smaller than loan 2, it could indicate an improvement in Mr D's circumstances.

my findings

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

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

As WageDayAdvance has already agreed to uphold Mr D's complaint about loans 4 to 6, I won't consider those further here.

Loan 1

When Mr D applied for his first loan from WageDayAdvance, he told it his income was £1,400 and his regular expenditure was £650. As this was Mr D's first loan, and the scheduled repayment was a small proportion of his income, I'm satisfied WageDayAdvance didn't need to carry out any further checks before deciding loan 1 was affordable.

Loan 2

WageDayAdvance used the same information about Mr D's income and expenditure when it considered his second loan application. However, I don't think the checks went far enough this time. I say that because Mr D's first repayment was late, he'd almost doubled his loan application and the scheduled repayment was almost one-third of Mr D's monthly income. I can't agree with WageDayAdvance when it says this increase was not significant, especially in relation to Mr D's income. I accept that WageDayAdvance says the repayment was affordable out of his £750 disposable income, but I consider it should have asked Mr D whether he had any other outstanding short-term loans at the time.

Had it done so, I think it's likely WageDayAdvance would have found that Mr D needed to repay over £2,200 to four other short-term loan companies out of the same monthly income with which he was making the loan 2 repayment. So I can't conclude that loan 2 was affordable to him.

Loan 3

Again, WageDayAdvance had the same information about Mr D's income and expenditure when he applied for loan 3. As this was Mr D's third loan in as many months, I still don't think WageDayAdvance's checks went far enough, even though the loan amount had reduced. Proportionate checks should have included considering Mr D's other short-term loans and, although much lower than the previous month, his outstanding payments still totalled almost £700, making loan 3 unaffordable.

In summary, I find WageDayAdvance should refund the interest Mr D paid on loans 2 and 3, as well as loans 4 to 6 for which it has already made an offer.

my final decision

My decision is that I uphold this complaint. CURO TRANSATLANTIC LIMITED (trading as WageDayAdvance) should:

- Refund all interest and charges that Mr D paid on loans 2 to 6;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about loans 2 to 6 from Mr D's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 March 2019.

Amanda Williams
ombudsman