

complaint

Mr G complains that Curo Transatlantic Limited trading as Wage Day Advance (WDA) lent him money he couldn't afford to repay.

background

Mr G took out one payday and five instalment loans with WDA between June 2016 and April 2017. He doesn't think WDA did enough to assess affordability as he was borrowing from other lenders at the same time to support his gambling habit. Mr G thinks WDA should've carried out credit checks that would've shown it wasn't appropriate to lend to him.

The adjudicator recommended that Mr G's complaint be upheld in part. He thought WDA's checks before agreeing loans one and two went far enough. But the adjudicator thought WDA should've asked more questions before agreeing loans three to six. And that if it had, WDA would've realised Mr G couldn't afford the loan repayments.

The adjudicator recommended that WDA refund interest and charges that Mr G paid on loans three to six. And remove any negative references to these loans from his credit file.

WDA wasn't willing to do this. It said it also carried out credit checks before most of the loans that didn't reveal anything of concern.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the conclusions of the adjudicator.

WDA was required to lend responsibly. It needed to make checks to see whether Mr G could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr G was borrowing, how much he had to repay, the length of the agreements and his borrowing history. But there was no set list of checks WDA had to do.

WDA has given us evidence that it asked Mr G for details of his net monthly income and expenditure before agreeing to lend each time. Mr G told WDA he earned £2,072 each month with monthly outgoings, including regular credit commitments of between £565 and £710. WDA also carried out credit checks before agreeing loans one, two, four and six.

loans one and two

The most Mr G needed to repay in a month for loan one was £147 and about £250 for loan two. These repayments were relatively modest compared to his declared monthly income. I think it was reasonable of WDA to rely on what Mr G told it about his financial situation. Based on the information it had, I don't think it was wrong of WDA to agree these two loans.

loan three

This was Mr G's third loan in six months and he was due to repay just over £550 in one go. I think WDA should've started to become concerned about whether it knew enough about his

financial situation. Particularly as WDA recently told us that the credit check it carried out showed two other active short term loan accounts.

I think it would've been important to ask about Mr G's other short term lending commitments as he owed more than £1,600 to various lenders at the time. Taking his living costs and regular outgoings in to account, Mr G didn't have any disposable income left to afford this repayment.

loan four

Although WDA says the credit check before loan four only showed one active short term loan account, I can see Mr G was making payments to multiple lenders. Mr G took this loan out within a fortnight of paying loan three. So I think WDA should've asked more questions before agreeing to lend.

If WDA had asked Mr G about all of his outgoings, including any short term loan commitments, it's likely it would've realised he didn't have enough disposable income to repay loan four in a sustainable way.

loans five and six

By loan five, a pattern of repeated borrowing had emerged. WDA says only one active short term loan appeared in the credit check before loan five and then none before loan six. But I still think WDA should've been independently checking that Mr G could afford the repayments.

To get the fullest financial picture possible, WDA could've asked to see bank statements, pay slips or copy bills. As Mr G has given us bank statements, I've used these to check all of his outgoings around this time.

I can see Mr G's monthly living costs varied between £355 and £420. He had regular financial commitments such as credit card bills, personal loans and account fees of more than £1,000. But Mr G was also borrowing from other short term lenders at the same time. He owed around £940 at the time of loan five and more than £1,400 before loan six. This reduced his disposable income.

Mr G couldn't afford the repayments on loans five and six without borrowing elsewhere. This wasn't sustainable and I think WDA as a responsible lender wouldn't have continued to lend had it known this.

I understand there's an outstanding balance on loan six that Mr G is paying by instalments through his debt management plan (DMP). As he's had the benefit of the money lent to him it's fair that Mr G repays any outstanding principal balance.

WDA should apply the refund to the outstanding principal balance before paying any remaining balance (if there's one) to Mr G.

putting things right

To put things right, WDA should:

- refund all interest and charges Mr G paid on loans three to six
- pay interest on these refunds at 8% simple* per year from the dates of payment to the date of settlement;
- recalculate any outstanding balance on loan six to remove any interest and charges but taking account of any repayments Mr G has made on the loan as if they were applied against the principal sum borrowed;
- apply the refund to any outstanding principal on loan six before paying any remaining balance (if there is any) to Mr G**; and
- remove any negative information about the loans referred to in the first bullet point above from Mr G's credit file.

*HM Revenue & Customs requires WDA to take off tax from this interest. WDA must give Mr G a certificate showing how much tax it's taken off if he asks for one. If WDA intends to apply the refund to reduce any outstanding balance, it must do so after deducting the tax.

**If after applying the refund there's still an outstanding principal balance to pay, WDA must let Mr G know how much this is in case he then wants to agree a revised repayment plan.

my final decision

My decision is that I uphold this complaint in part. I require Curo Transatlantic Limited trading as Wage Day Advance to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 18 December 2017.

Gemma Bowen
ombudsman