

complaint

Mr M complains that Curo Transatlantic Limited (trading as Wage Day Advance) ("Wage Day") gave him loans that put him in financial difficulties.

background

Mr M took out the following loans with Wage Day:

- £100 on 13 June 2011, repaid on 30 June 2011
- £250 on 4 July 2011, repaid on 30 September 2011 after two rollovers
- £400 on 3 October 2011, repaid on 15 May 2015

Mr M complained to Wage Day about their decision to lend to him each time. Unhappy with their response, he sent his complaint to us.

One of our adjudicators looked at Mr M's case. She felt that Wage Day had carried out proportionate checks for the first two loans. But she also felt that Wage Day should've carried out more checks when Mr M applied for his third loan. This was because the amount of borrowing had increased considerably and because Mr M hadn't paid back the second loan on time.

So she said that Wage Day didn't carry out proportionate checks for this loan and, had it done so, would've seen that Mr M couldn't afford it.

Wage Day disagreed. It said the increase in borrowing between the second and third loans were the same as for the first and second loans. And it said Mr M hadn't taken out enough loans for a pattern of lending to emerge. Wage Day also said it was entitled to rely on the information Mr M gave them about his circumstances and he confirmed at the time that the loan was affordable.

So Mr M's case has been passed to me for review.

my findings

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

When lending money to a consumer, Wage Day is required to ensure the consumer can repay the borrowing in a sustainable manner without it adversely impacting on their financial situation. A lender should obtain sufficient information to make an informed decision about the lending. Exactly what a lender should consider is for each lender to decide and the guidance and rules list a number of things each lender may wish to consider. Any checks should be proportionate, based on things like the size of the borrowing.

Like our adjudicator, I see no reason why Wage Day shouldn't have given the first two loans to Mr M. It's not entirely clear what checks Wage Day did do for these loans. But it looks to me that it asked Mr M for his normal monthly income and expenditure which he confirmed as £1,400 and £800 respectively. This meant Mr M had a disposable amount of £600 left to use as he wished. It's also possible Wage Day did a credit check for the first loan; its records suggest that it did. I haven't got the information Wage Day saw if it did do a check. But I've seen a copy of Mr M's credit file and there doesn't appear to be anything on there from that time which would've given Wage Day cause for concern.

I think it was reasonable for Wage Day to rely on the information it had been given by Mr M. Considering the amounts of the first two loans, I'm satisfied Wage Day carried out proportionate checks for these.

However, by the time of the third loan application, I think Wage Day should've questioned Mr M more closely on his financial situation. As there were certain signs the loan might not have been affordable. Mr M had only recently paid off his previous loan which he rolled over twice. Rolling over a loan twice isn't always indicative of financial problems. But this coupled with the fact that Mr M was asking for a loan that was almost twice the size of the previous one (which when repaid would take Mr M close to the disposable income figure of £600), should've prompted Wage Day to do more checking to ensure the loan was affordable. I don't think it was reasonable for it to rely solely on the income and expenditure details given by Mr M without some form of verification that this was correct.

There were many ways that Wage Day could've gathered more information. It could've asked Mr M for things like his pay slips and evidence of his expenditure. Or it could've looked at his bank statements as I've done. And I think if it had done this it would've realised that the loan wasn't affordable.

Mr M's bank statements show that he'd been heavily overdrawn for a number of months and had taken out several payday loans with other lenders shortly before he took out the third loan. I think it would've been fairly obvious to Wage Day had it looked at Mr M's circumstances in more detail that he was taking out loans to repay other commitments. Certainly the number of loans would point to this. I've seen payments for at least 10 short-term loans in the two to three months prior to his third loan with Wage Day. The bank statements also show that Mr M was gambling several times a day during September 2011 which would've told Wage Day that his finances weren't particularly stable at that time. From what I've seen, the loan given to Mr M by Wage Day in October 2011 wasn't affordable.

I've thought about what Wage Day says about its obligation in assessing Mr M's application at the time. And in particular that it wasn't obliged to look at bank statements. I agree that there was no specific obligation for Wage Day to do this. However, it was obliged to make sure that the lending was affordable knowing what it knew about Mr M by that time. And by that time it had enough information that should've prompted Wage Day to undertake a more thorough review of Mr M's circumstances, be that from bank statements or by other means. I don't think that it carried out an appropriate check however.

Overall, I don't think Wage Day should've agreed to give the third loan to Mr M. So I think it's fair that it refunds all interest and charges on this loan and removes any adverse information (such as defaults and late payments) about the loan from Mr M's credit file.

Mr M had the benefit of the loan he borrowed so I will not be recommending that Wage Day refunds the capital amount borrowed to him.

my final decision

My final decision is that I uphold this complaint in part. To put things right Curo Transatlantic Limited should:

1. refund all interest and charges that Mr M paid on the loan he took out on 3 October 2011;
2. pay interest at 8% simple per year on any refund from the date of payment to the date of settlement[†]; and
3. remove any adverse information about the loan from Mr M's credit file.

[†] HM Revenue & Customs requires Curo Transatlantic Limited to take off tax from this interest. Curo Transatlantic Limited must give Mr M 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 M to accept or reject my decision before 18 April 2017.

Dan Picken
ombudsman