

complaint

Mr T complains that Curo Transatlantic Limited (trading as Wage Day Advance) gave him loans that he couldn't afford.

background

Mr T took out a total of three loans with Wage Day between May and November 2013.

Mr T says he was in a spiral of debt. He believes that if Wage Day had carried out proper checks, it would have realised that he had other loans. And he says that if it had looked at his bank statements, it would have seen that he was using the money for gambling. He said that he had multiple defaults on his credit file. He believes that it was irresponsible to lend to him in the circumstances.

In its final response letter Wage Day agreed to refund Mr T all the interest and charges he paid on the third and final loan. Our adjudicator thought this was fair and reasonable and didn't think Wage Day had been wrong to give Mr T the first two loans. She thought that the business was entitled to rely on what Mr T said about his finances and the repayments looked affordable on the figures he gave.

Mr T didn't agree and replied to say in summary that if Wage Day had done better checks it would have seen the difficulty he was in from his credit report and bank statements.

my findings

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

Wage Day was required to lend responsibly. It needed to make checks to see whether Mr T 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 T was borrowing, the length of the agreements and his borrowing history. But there was no set list of checks Wage Day had to do.

Before lending each time, Wage Day asked Mr T for details of his monthly income and expenditure. And it says it used its own "bespoke credit scoring logic".

When he applied for the first loan, Mr T told Wage Day his monthly take-home pay was £3,000, and his regular monthly expenditure was £1850. Wage Day was entitled to rely on that information in the absence of anything to suggest it might be unreliable. On the basis of the information Mr T provided, I'm satisfied that it would have looked as if he'd be able to afford the repayment relatively comfortably. And I don't think it was irresponsible of Wage Day to make the loan without carrying out further checks.

Mr T repaid the first loan in full and on time and there was around a six week gap before applying for the second loan. This time he told Wage Day that his monthly income was £2,500. His stated regular monthly outgoings were declared at £1035. So even though loan two was for twice the amount of loan one, the repayment was still a relatively small proportion of Mr T's declared monthly disposable income. So it would have appeared to be affordable for Mr T. And I'm not satisfied that there was anything which ought to have prompted Wage

Day to ask to see Mr T's bank statements, or to carry out further checks before agreeing to the loan.

The third and final loan was for less than loan two and it is clear that Mr T had difficulty paying it back. Wage Day has offered to refund the interest and charges Mr T paid on this loan and I think this is fair and reasonable so I don't need to consider it further.

I acknowledge that Mr T considers that Wage Day should have carried out a credit search. But the guidance in place at the time didn't require lenders to carry out credit searches. So I can't fairly say that Wage Day shouldn't have lent without doing one. And in any event, even when a lender does carry out a credit search, it doesn't usually see the same level of detail as is shown on credit reports available to consumers. So I can't be sure that a credit search would have made a difference here anyway.

I know that my decision will come as a disappointment to Mr T, and I don't underestimate the difficulties that he's experienced. But I'm not convinced that it was irresponsible of Wage Day to lend to him. It has offered to refund the interest and charges on the third loan and I can't require it to do more.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 4 June 2018.

Emma Boothroyd
ombudsman