

## **complaint**

Mrs D complains that Curo Transatlantic Limited trading as Wage Day Advance (WDA) gave her unaffordable payday loans. She wants it to write off or reduce the debt she owes.

## **background**

Mrs D had two loans from WDA in 2014. She said that at the time she wasn't coping financially and was in great debt with her credit cards. She said the payday loans were unaffordable for her. WDA said it had done nothing wrong. It said its checks had shown that Mrs D could afford the loans.

Our adjudicator recommended that the complaint should be upheld in part. He thought WDA had made appropriate affordability checks for Mrs D's first loan. But he thought these checks weren't proportionate to her second loan. He thought that if it had made sufficient checks, WDA would have seen that Mrs D couldn't afford to repay the loan.

So he thought WDA should refund Mrs D's interest and charges for this loan, with interest, offset this against any principal still owed, and remove adverse information from Mrs D's credit file.

WDA replied that Mrs D's stated disposable income was £800. It said she hadn't told it she couldn't afford the repayments.

## **my findings**

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

Mrs D's first loan was for £150 (£194.25 with interest). She repaid this and then on the same day asked for £500 but was given £300 (£388.50 with interest). She was unable to repay this loan and there's a balance outstanding.

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

Mrs D told WDA that her income was £1,200 a month after tax and her outgoings were £400. I think it was reasonable for WDA to rely on the accuracy of Mrs D's information unless it had reason for concern.

Mrs D's first loan looked small compared to her income. It looked as if she could afford it. So I think WDA's checks on affordability were proportionate and sufficient. I can't say that it was wrong for it to approve it.

But Mrs D's second loan was for double the amount. The repayment accounted for about half her disposable income. She asked for the loan soon after repaying her first loan. I think this should have alerted WDA to make further checks before approving the loan, rather than just relying on Mrs D's statements. So I think its checks weren't proportionate or sufficient. I think it could, for example, have verified her income and outgoings and looked at her regular and other short-term financial commitments.

I've looked at Mrs D's bank statements from the time to get this information, but WDA could easily have asked Mrs D for it. I can see that when she asked for the loan, Mrs D's income the previous month was less than she had stated. She was borrowing from other short-term lenders. Her outgoings exceeded her income and Mrs D was gambling. So Mrs D didn't have enough disposable income to repay WDA's loan.

I think that if WDA had made sufficient checks, it would have seen, as I have, that Mrs D couldn't afford to repay loan two. So I think it was wrong for it to approve it.

Mrs D asked for WDA to write off or reduce the debt she owed. But I don't think that would be fair. Our approach is that Mrs D should repay the principal she borrowed as she's had benefit of that.

### **my final decision**

My final decision is that I uphold this complaint in part. I require Curo Transatlantic Limited trading as Wage Day Advance to do the following:

1. Refund Mrs D the interest and charges she paid on loan two, adding interest at 8% simple per annum from the date of payment to the date of settlement. This should be offset against any principal still outstanding and the rest paid to Mrs D.
2. HM Revenue & Customs requires WDA to withhold income tax from that interest. It must give Mrs D a certificate showing how much it's taken off if she asks for one.
3. Remove any adverse information relating to this loan from Mrs D's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 2 June 2017.

Phillip Berechree  
**ombudsman**