

complaint

Miss L complains that Curo Transatlantic Limited trading as Wage Day Advance (WDA) gave her unaffordable payday loans and instalment loans. She wants a refund of the interest and charges she paid, with interest, and for the loans to be removed from her credit file.

background

Miss L had seven payday loans and two instalment loans from WDA between September 2015 and February 2017. She said she was borrowing increasing amounts, often when she'd repaid an earlier loan. She said better checks would have shown that the loans were unaffordable. WDA said it had carried out appropriate affordability checks in accordance with the regulations at the time.

Our adjudicator recommended that the complaint should be upheld in part. He thought WDA's affordability checks had been proportionate and sufficient for Miss L's first two loans, but not thereafter. He thought that if WDA had made better checks, it would have seen that Miss L could afford to repay loan three. But better checks from loan four onwards would have shown that Miss L had other short-term loan commitments and was gambling heavily. He thought that if WDA had seen this it wouldn't have lent again.

So the adjudicator thought WDA had been wrong to approve loans four to nine. He thought it should refund Miss L the interest and charges she'd paid, with interest, and remove related adverse information from her credit file.

WDA said there had been a gap in Miss L's borrowing after loan eight. Loan nine was an instalment loan and the repayments were smaller. A credit check hadn't shown anything untoward.

my findings

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

Miss L first borrowed and repaid £150 (£181.20 with interest). A month later, she borrowed and repaid £200 (£238.40). Four days later, she borrowed and repaid £350 (£442.80). Three weeks later, loan four was for £460 (£596.16). She then borrowed the same amount back to back three times. After a break of 10 weeks, Miss L took out an instalment loan for £460 to be repaid in six instalments of £143.12. Then two days later, loan nine was for £610 to be repaid in instalments of £195.13. Miss L repaid two instalments and, from what I can see, a balance remains outstanding.

WDA said there'd been gaps in Miss L's borrowing which showed that she wasn't dependent on these loans. But I don't agree. I think the gaps I've noted aren't significant enough to say this.

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

WDA said it checked Miss L's monthly income and expenditure for each application. Miss L said she earned £1,370 and spent £450 to £650 leaving her with a disposable income of £720 to £920 for loans one to six. Miss L's income increased slightly for her last loans. WDA said it also checked her credit file, but it hasn't provided us with the results.

I agree with the adjudicator that these checks were proportionate and sufficient for Miss L's first two loans. The repayment amounts looked small compared to her stated income. They were within her stated disposable income and so looked affordable. So I can't say it was wrong for WDA to approve these two loans.

Loan three required Miss L to repay about a third of her stated income. So I think WDA's checks should have gone further. I think it should have also asked Miss L about her other credit commitments, both regular and short-term, to see if she could afford to repay this loan. I've looked at Miss L's bank statements from the time to get this information, but WDA could easily have asked Miss L for it. I can't see that Miss L then had any other short-term lending so I think a better check would have shown that the loan was affordable for her.

From loan four onwards, I think the pattern and frequency of Miss L's borrowing should have prompted WDA to look more closely at Miss L's finances. This was to see if she was using the short-term loans as intended and had provided accurate information. I think it should then have verified what she'd told it and checked the purpose of her loans.

Again I've looked at Miss L's bank statements from the time. I can see that Miss L's outgoings for her normal living costs and bills were about what she'd stated. But Miss L was also gambling heavily each month and had other short term loans due for repayment. I think that if WDA had made better checks, it would have seen that it wasn't responsible to lend further to Miss L, and so I think it was wrong to approve loans four to nine.

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 Miss L the interest and charges she paid on loans four to nine, adding interest at 8% simple per annum from the date of payment to the date of settlement. It should waive any outstanding interest and charges for loan nine, offset this refund against any principal still owed and pay the rest to Miss L.
2. HM Revenue & Customs requires WDA to withhold income tax from that interest. It must give Miss L a certificate showing how much it's taken off if she asks for one.
3. Remove any adverse information relating to these loans from Miss L's credit file if the remaining balance is repaid within three months of this complaint being settled.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 27 December 2017.

Phillip Berechree
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