

complaint

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

background

Mr T took out four loans with Wage Day Advance between October 2015 and February 2016. The first two loans have been repaid but Mr T has been unable to pay back what he owed on the last two loans and a repayment arrangement has been made.

Mr T says he was in a spiral of debt. He believes that if Wage Day Advance had carried out proper checks, it would have realised that he had other loans. He believes that it was irresponsible to lend to him in the circumstances.

Our adjudicator didn't think Wage Day Advance had been wrong to give Mr T the loans. He 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. He said that Wage Day Advance should have done better checks before giving Mr T the last loan but even if it had done better checks it wouldn't have made a difference to the decision to lend to him.

Mr T didn't agree and replied to say in summary that if Wage Day Advance had done better checks it would have seen the difficulty he was in and that he was borrowing from other short term lenders. He provided details of all of his outgoings at the time to demonstrate that the loans were unaffordable. He said that all his borrowing would have been visible on his credit file.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Wage Day Advance, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr T would be able to repay in a sustainable way?
 - If not, would those checks have shown that Mr T would have been able to do so.
- Taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Mr T's indebtedness in a way that was otherwise unsustainable or harmful?
- Did Wage Day Advance act unfairly or unreasonably in some other way?

If I determine that Wage Day Advance did not act fairly and reasonably in its dealings with Mr T and that he has lost out as a result, I will go on to consider what is fair compensation.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key element was that any checks needed to be proportionate and had to take into account a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

When he applied for the first loan of £100, Mr T told Wage Day Advance his monthly take-home pay was £1200, and his regular monthly expenditure was around £250. Wage Day Advance 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 £125.60 relatively comfortably. And I don't think it was irresponsible of Wage Day Advance to make the loan without carrying out further checks. It didn't have to do a credit check and on the basis of the amount being borrowed relative to Mr T's declared income and expenses I don't think it needed to do any more.

Mr T repaid the first loan in full and on time on 2 October 2015. Mr T applied for his second loan of £90 on 28 October 2015 so there was a short gap. Mr T gave the same figures for his income and outgoings. So loan two was for slightly less than loan one and 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 Advance to ask to see Mr T's bank statements, or wage slips to carry out further checks before agreeing to the loan at this stage. Mr T had repaid loan 1 without apparent difficulty so there was no reason to suspect he was in difficulty.

Mr T asked for loan 3 of £180 on 7 January 2016. He had repaid loan 2 on 30 November 2015 so there was no suggestion that Mr T was borrowing in quick succession. This was an increase in Mr T's borrowing and he declared his expenses had increased to £600. But the repayment of £241.92 still appeared affordable. So I don't think Wage Day Advance needed to do any further checking.

Mr T asked for loan 4 on the 19 February 2016 and before loan 3 was repaid. By this stage I think Wage Day Advance should have done more to check that Mr T wasn't reliant on short term credit. I think Wage Day Advance should have asked Mr T about his other credit commitments and specifically about other short term lending he may have had.

Just because I don't think the checks were enough, that doesn't mean Mr T's complaint should succeed. I'd need to be satisfied that proportionate checks would have made a difference and the loan wouldn't have been given to Mr T.

I've looked at Mr T's bank statements to see what other short term lending Mr T had at this time. I can't identify any other commitments that were due out at this time that would make the loan unaffordable. So if Wage Day Advance had done better checks I don't think it would have made any difference and so I can't say it was wrong to give Mr T this loan.

I acknowledge that Mr T considers that Wage Day Advance should have carried out more checks. But the guidance in place at the time didn't require lenders to carry out specific checks.

I know that my decision will come as a disappointment to Mr T, and I don't underestimate the difficulties that he's experienced and that the loans were unaffordable. But I'm not convinced that it was irresponsible of Wage Day Advance to lend to him the loans it gave him based on the information he gave and his borrowing history. If Mr T had continued to borrow increasing amounts then I would have expected further checks including looking at his bank statements and payslips which would have revealed the financial difficulty

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 20 March 2019.

Emma Boothroyd
ombudsman