

complaint

Mr I complains Curo Transatlantic Limited trading as Wage Day Advance (WDA) was irresponsible to lend him money.

background

Mr I says he was caught in a spiral of debt and paid thousands of pounds in interest. Mr I wants WDA to write off the balance on his final loan and refund interest paid on all the loans.

An adjudicator recommended that Mr I's complaint should be upheld in part. He thought it was reasonable of WDA to rely on the income and expenditure information that Mr I gave it before agreeing loans one to three. And based on what Mr I told WDA, none of these loans appeared unaffordable.

The adjudicator thought that by loan four, WDA should've realised Mr I had become reliant on short term lending. She thought WDA should have asked more questions before agreeing to lend.

The adjudicator thought this was important as after normal expenditure and regular financial commitments, Mr I had about £130 disposable income. Mr I was also borrowing from other short term lenders meaning he even more outgoings. At the time of the fourth to sixth loans, Mr I entered in to a debt management plan, having missed and defaulted payments to other lenders.

The adjudicator asked WDA to refund all interest and charges that it had applied to loans four to six. The adjudicator asked WDA to pay interest on the refund and remove any negative information about the specified loans from Mr I's credit file. She recommended that WDA apply the refund to any outstanding capital balance before paying any remaining balance to Mr I.

WDA disagrees with the adjudicator's recommendation. It says just because Mr I took out a fourth loan didn't in itself mean he was dependant on short term lending. There was also a 30 day gap between the repaying the fourth and taking out the fifth loan.

WDA says Mr I declared his income and expenditure before taking each loan. If this wasn't accurate, it isn't the fault of WDA. Finally, as the amount borrowed was relatively small compared to Mr I's declared income, extra checks weren't proportionate.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the adjudicator's recommendation.

Date of loan	Amount	Amount repaid	Date repaid
1 January 2015	£150	£183.60	2 February 2015
2 February 2015	£200	£240	2 March 2015
8 March 2015	£110	£128.48	23 March 2015
4 April 2015	£110	£132.88	1 May 2015
31 May 2015	£150	£186	
1 July 2015	£250		defaulted

WDA has given us evidence showing each time it lent to Mr I it asked him about his income and outgoings and used its own credit scoring system. It recorded a monthly income of £1,250 against outgoings of between £375 and £480.

Like the adjudicator, I think these checks were appropriate for the first three loans. It was reasonable of WDA to rely on this information and the loans appeared affordable.

By the time Mr I applied for the fourth loan, I think WDA should've taken a more detailed look at his finances. This should've included asking Mr I about his other short term lending commitments. Had it done this, WDA would've found out Mr I had recently borrowed £225 from two other short term lenders. The repayments further reduced his disposable income leaving him with little to no available income to repay the fourth loan.

By the fifth loan, I think WDA should've been getting the fullest understanding possible of Mr I's finances by checking his income and expenditure with evidence such as copies of bills or things like bank statements. If it had done this, WDA would've seen that – in addition to his usual outgoings – Mr I was also gambling quite frequently. He had also missed payments on two separate loans to one other payday lender. I don't see any reason why WDA would've agreed to the fifth and sixth loans with a more complete picture of Mr I's finances.

Overall I don't think WDA did enough to check whether the fourth, fifth or sixth loans were affordable for Mr I. If it had done this I don't think it would've lent to him so he's lost out as a result. WDA should refund all interest and charges on these loans and remove any negative information about them from Mr I's credit file.

Mr I had the benefit of any capital he borrowed so I think it's fair for WDA to offset any capital (not interest or charges) still due from the refund. Once it's done this, it should pay any remaining balance to Mr I.

my final decision

My final decision is that I uphold Mr I's complaint in part. To put things right Curo Transatlantic Limited trading as Wage Day Advance must:

- refund all interest and charges paid by Mr I on loans four to six
- pay interest on these refunds at 8% simple* per year from the dates of payment to the date of settlement;
- deduct any outstanding capital balance and pay the remainder (if any) to Mr I
- remove any adverse information about these loans from Mr I's credit file

*HM Revenue & Customs requires Curo Transatlantic Limited to take off tax from this interest. Curo Transatlantic Limited must give Mr I 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 I to accept or reject my decision before 4 August 2017.

Gemma Bowen

ombudsman