

complaint

Mrs A complains that Curo Transatlantic Limited, trading as WageDayAdvance, was wrong to give her a loan that she couldn't afford to repay.

background

In June 2017 Mrs A borrowed £500 from WageDayAdvance to be repaid in four monthly instalments of £203.55. Mrs A says that WageDayAdvance failed to carry out proper checks and if it had done so it would have seen the loan wasn't affordable and her credit history was poor. She hasn't been able to repay the loan.

The adjudicator didn't think this complaint should be upheld. He thought the checks WageDayAdvance had done before approving the loan went far enough and it wasn't wrong to lend to Mrs A at the time.

Mrs A didn't agree. She said, in summary, that if WageDayAdvance had checked her credit file properly it would have seen that it was very poor so it shouldn't have given her a loan.

my findings

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

WageDayAdvance was required to lend responsibly. Before agreeing to lend to Mrs A, it had to check that she could afford to make the repayments without it adversely impacting on her financial situation. It had to gather enough information so that it could make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But any checks need to be proportionate and should take into account a number of things, including things such as how much is being lent and when what's being borrowed is due to be repaid.

Mrs A was given a loan where there was an expectation she'd repay what she'd borrowed plus the interest due over four monthly repayments of £203.55. As a result, the checks WageDayAdvance carried out had to provide enough for it to be able to understand whether Mrs A could afford to make all of these payments when they fell due.

WageDayAdvance has told us about the checks it did before lending to Mrs A. It asked her for details of her income, and her normal expenditure, before agreeing the loan. And it gathered information on Mrs A's circumstances from a credit reference agency.

From what I have seen, the credit check results that WageDayAdvance received didn't show Mrs A had any dependency on short term lending or other problems with Mrs A's finances such as bankruptcy or county court judgements. It did show that Mrs A had had some defaults, with the most recent just one month before she requested the loan from WageDayAdvance. But it also showed that she had seven accounts that were paid up to date. I'm satisfied WageDayAdvance did consider Mrs A's credit history before it agreed to lend.

WageDayAdvance says that it checked Mrs A's income when she asked for the loan and she was earning £2,065 per month. It checked her employment status. It asked about her normal monthly expenditure and regular financial commitments, which she said totalled £580. From this it found that she had a disposable monthly income of more than £1,400. Based on this information WageDayAdvance concluded that Mrs A could afford the monthly repayments of £203.55.

This was Mrs A's first loan from WageDayAdvance. Given the size of the loan in relation to her income, despite the default showing on her credit file, I think the checks WageDayAdvance did were proportionate. I don't think the credit check results should have caused it to think it needed to do any more or that it would have prevented it from lending to Mrs A. WageDayAdvance offers loans to borrowers with a poor credit history. The checks it did showed the loan was affordable so I think its decision to lend was reasonable.

I understand that Mrs A still has an outstanding debt and I would urge her to contact WageDayAdvance to agree an acceptable repayment plan. I would also remind WageDayAdvance that it has an ongoing duty to treat someone in financial difficulty positively and sympathetically.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 22 March 2019.

Karen Wharton
ombudsman