

complaint

Mr B complains that Wage Day Advance Limited didn't carry out proper checks; the payday loans he took out weren't affordable and shouldn't have been granted.

background

Mr B took out 11 payday loans with Wage Day in about a 12 month period. He says they contributed to his financial difficulties and he became trapped in a cycle of borrowing. Wage Day should've recognised from his pattern of borrowing that he was offered too many loans. He wants the interest and charges refunded and compensation.

Wage Day noted in its final response to Mr B's complaint that as part of its redress scheme Mr B had received a £100 goodwill gesture payment and the account balance had been reduced by £153.04. It says it carried out the correct affordability checks and relied on the information he'd given it. The loans appeared affordable and the account remained in good standing. Even so, as he'd borrowed money on multiple occasions it could've taken action to ensure he wasn't entering into a cycle of debt. Wage Day offered to refund all interest and charges incurred from the seventh loan on 1 July 2014 plus interest. This makes a total refund of £697.04. So, after paying off the account balance of £476.88 it would pay Mr B the balance of £220.16.

Mr B didn't think this went far enough. He wants all interest and charges on all loans refunded.

Our adjudicator felt this complaint should be upheld. She said that based on Mr B's declared information the initial loans appeared affordable. But a number of the loans were granted as soon as the previous one was paid off. Wage Day should've questioned this from the sixth loan on 3 June 2014. By then the loan amounts and frequency were increasing. Mr B shouldn't have been lent to and more checks should've been carried out to make sure he was able to keep up. It's irrelevant that he was repaying on time because Wage Day wasn't aware of what he was doing to make sure he was paying on time. So, it should refund all interest and charges from the sixth loan on 3 June 2014 plus interest. His current balance should be reduced and the remaining amount paid to Mr B. Wage Day should also remove all reference to all loans from that date from Mr B's credit file.

Wage Day doesn't agree. It doesn't agree that sequential lending should've been identified from loan six on 3 June 2014. It says its offer is fair.

my findings

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

I agree with the adjudicator's conclusions for the same reasons. And I don't see a compelling reason to change the proposed outcome in this case.

my final decision

I uphold this complaint and I require Wage Day Advance Limited, if it hasn't done so already:

1. To refund all interest and charges applied to all loans from 3 June 2014 plus simple interest at the rate of 8% a year from the date of each payment until the date of settlement. (This being used to pay off Mr B's outstanding account balance and the remainder being paid to him); and
2. To remove all information on Mr B's credit file relating to all loans taken out from 3 June 2014.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 15 February 2016.

Stephen Cooper
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