

## **complaint**

Miss S has complained that WDFC UK Limited lent to her irresponsibly. She also feels she was wrongly told the loans would improve her credit rating.

## **background**

It appears that Miss S took out 38 loans from WDFC between 2011 and 2014, but that she only made very small repayments. She also says that her credit file was adversely affected by taking out the loans.

The adjudicator agreed that the loans had been unaffordable and that WDFC had lent irresponsibly. However, she was not persuaded that these loans had necessarily harmed Miss S's credit file.

WDFC did not provide this service with any information during the adjudicator's investigation. However, after I received the complaint to review, it offered to refund interest and charges on some of the loans. As Miss S did not agree with this offer, I am now issuing my final decision.

## **my findings**

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

From Miss S's bank statements, I can see that she took out 38 loans with WDFC over approximately four years. Often, this was nearly every month. The OFT Irresponsible Lending Guidance describes irresponsible lending as:

*"Repeatedly refinancing (or 'rolling over') a borrowers existing credit commitment for a short-term credit product in a way that is unsustainable or otherwise harmful.*

*The OFT considers that this would include a creditor allowing a borrower to sequentially enter into a number of separate agreements for short-term products, one after another, where the overall effect is to increase the borrower's indebtedness in an unsustainable manner."*

It is clear to me that Miss S's loans fall squarely within this category, and on this basis, I am satisfied that the lending was irresponsible.

Nor am I persuaded that even the earliest loans were affordable, even before this debt spiral began. I say this because from Miss S's bank statements, I can see she was making only very small payments – nothing approaching what would be required to pay off the debts. WDFC has explained that it was not until the seventh loan that it became aware there was a problem – up until then, it felt the loans were affordable. I am not persuaded by this explanation. Seven consecutive loans should not have been granted according to the OFT guidance – particularly when appropriate repayments were not being made. Accordingly, all interest and charges should be refunded, and the loans removed from Miss S's credit file.

I am satisfied that Miss S has been caused further upset by this matter being unnecessarily prolonged by WDFC, which did not respond to our communication for a considerable time. I feel £100 compensation is appropriate to address this.

I cannot be certain that Miss S's subsequent credit problems can be attributed to these loans. Potential lenders have their own commercial criteria when making lending decisions, and I cannot know how much of a factor these loans played, if any.

**my final decision**

For the reasons given above, it is my final decision to uphold this complaint in part. I require WDFC UK Limited to:

- a) refund all interest and charges on all of the 38 loans, adding 8% simple interest per year, from the date each was applied to the date of settlement;
- b) remove all information regarding these loans from Miss S's credit file; and
- c) pay her £100 for the upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 September 2015.

Elspeth Wood  
**ombudsman**