

complaint

Mr B complains that CURO TRANSATLANTIC LIMITED (previously Wageday Advance Limited) lent him money he couldn't afford to pay back. I'll refer to "Wageday" for ease of reading throughout this decision.

Mr B says if Wageday had carried out proportionate checks it would have realised he was in serious financial difficulty and not lent to him. Mr B wants Wageday to refund all the interest and charges he's paid.

background

Mr B took out nine short term or "payday" loans with Wageday between January 2014 and November 2016.

Loan number	Loan amount (£)	Date taken	Date repaid	Maximum monthly repayment (£)	Comment
1	150	22/1/14	28/2/14	194.25	
2	300	3/3/14	31/3/14	388.50	
3	450	3/4/14	30/4/14	582.75	
4	600	1/5/14	30/5/14	777.00	
5	500	3/6/14	5/6/14	510.92	Loans 5&6 in same month
6	500	13/6/14	30/6/14	647.50	
7	750	7/7/14	1/8/14	971.25	
8	750	9/8/14	30/4/15	1422.49 (total paid)	Defaulted 1/9/14 repaid by instalments
9	400	18/11/16		571.80 (amount outstanding)	Defaulted 20/12/16

Our adjudicator said she thought Wageday had done enough to satisfy itself Mr B could afford loans one to three. She thought it should have made further enquiries before it lent the later loans. She thought that if it had carried out extra checks it would have seen Mr B couldn't afford loan four, but that he could afford loans five and six.

She also thought Wageday would have realised Mr B couldn't afford loan seven, and said that as Wageday had already paid Mr B some redress for loan eight, she didn't need to consider that. She thought it had done enough on loan nine to check affordability.

Wageday said it would refund interest and charges on loans four and seven on top of the redress it had already paid for loan eight. It said it would offset this amount against Mr B's outstanding balance. Wageday says that means Mr B will only now have to pay about £90 to clear this debt.

We put this offer to Mr B but have heard nothing from him. In those circumstances I've been asked to decide the complaint.

my findings

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

Wageday had to carry out proportionate checks to see if Mr B could afford to repay the amount he wanted each time it lent to him. There's no set list of things Wageday had to do – and this could vary dependent upon things such as how much Mr B wanted to borrow, how often and for how long. It would be normal for Wageday to carry out more comprehensive checks if it lent £1,000 rather than £100.

loan one

Wageday says it collected information on Mr B's take home pay and living costs. It recorded these as £2,000 and £900 respectively. Given the repayment was under £200, it appears this loan was affordable, so I think Wageday did enough before it lent to Mr B.

Loans two and three

Mr B took out loan two a few days after repaying loan one. Given the quick succession, I think Wageday should have asked Mr B for more information before it lent. It didn't do that. If it had carried out proportionate checks, I think Mr B would have told Wageday about a loan he had that cost about £225 a month, if he hadn't already included that in his normal outgoings. But Mr B still appears to have had at least £875 left to repay loan two, which required a payment of £388.50. It seems to me that Mr B had enough money to repay this loan, so I don't think Wageday's error affected him negatively.

Mr B applied for loan three a few days after repaying loan two. By now Wageday should have noticed that a pattern was emerging, which might have indicated Mr B was becoming reliant on short term lending. I think that should have prompted it to again ask for additional information to see if Mr B could afford the loan before it lent. If Wageday had carried out proportionate checks it would have discovered that Mr B was borrowing from other short term lenders and in the month before he applied for loan three these had cost him about £1458 in repayments. However I expect that Mr B would also have told Wageday he'd got more income that month, about £1,100 from his business and about £2,200 from another source. Adding that to his wages meant Mr B had at least £3,000 available to pay Wageday. I think that made loan three affordable, so I don't think Wageday's error affected Mr B.

Loans four to seven

Loan four was taken out the day after loan three was repaid and was for more money. By this time I think a proportionate check would have been for Wageday to get a full picture of Mr B's financial circumstances and verify that information independently. If it had done that, it would have seen that Mr B was transferring money constantly between accounts he held, paying bank charges and borrowing from other short term lenders. He was also gambling. Although Mr B again got some extra money from his business, he was still only left with about £150 to repay loan four, so he simply couldn't afford it.

If Wageday had carried out a full review of Mr B's finances for loan four, it wouldn't have lent to him. For any subsequent loan taken in quick succession a proportionate check would have been for Wageday to again get a full picture of Mr B's circumstances and verify these.

If Wageday had done that it would again have seen a complicated financial situation. Mr B continued to transfer money between bank accounts and receive substantial amounts into his account from both his own business and third parties. And he continued to gamble. We asked Mr B to tell us a bit more about his financial arrangements but he's not responded. So

I can't be sure what, if any, extra information Wageday would have seen if it had carried out proportionate checks.

In the absence of any further information, and based on what we do have, it appears Mr B could afford loans five and six, so Wageday's failure to carry out proportionate checks didn't affect him negatively. Wageday has offered to refund interest and charges on loan seven, which he doesn't appear to have been able to afford.

Loan eight

Wageday says it's already paid some redress on this loan. I can't see whether it refunded all or only part of the interest and charges Mr B paid on this loan. Like the earlier loans, I think Wageday should have got a full picture of Mr B's financial position and verified it independently. From the information we have it doesn't look like Mr B could afford to repay this loan, so if Wageday had carried out appropriate checks it wouldn't have lent him this money. So Wageday should, if it hasn't already done this, refund *all* the charges and interest Mr B paid on loan eight.

Loan nine

Loan nine was taken out about 18 months after loan eight was repaid. Mr B's situation could have changed considerably in this time so I think it's reasonable for Wageday to treat him as a new customer. The repayment was under £500 and Mr B's take home pay was recorded as £2000. In these circumstances I think Wageday did enough to satisfy itself Mr B could afford the loan.

Putting things right

Wageday should now put Mr B in the position he'd have been in if it hadn't lent loans four, seven and eight. So it should refund all interest and charges associated with these loans and remove any adverse entries on them from his credit file. As Mr B has had the benefit of the loans, it's fair that he should repay the amounts he borrowed. And it's fair that Wageday apply any refund towards clearing any amount Mr B still owes on loan nine.

my final decision

My decision is that I uphold this complaint in part. CURO TRANSATLANTIC LIMITED should refund any interest and charges paid on loans 4, 7 and 8. It should also

- add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement. *
- remove any adverse information recorded on Mr B's credit file in relation to the loans I am asking to be refunded.
- it can deduct the amount it's already refunded from the total and clear the balance fairly owed on loan 9 before paying Mr B any surplus.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 December 2017.

*HM Revenue & Customs requires CURO TRANSATLANTIC LIMITED to take off tax from this interest. CURO TRANSATLANTIC LIMITED must give Mr B a certificate showing how much tax it's taken off if he asks for one.

Sue Peters
ombudsman