Financial Ombudsman Service

complaint

Ms L complains that Wage Day Advance Limited “Wage Day” lent her money she couldn’t afford to repay.

background

Wage Day provided Ms L with eleven loans between September 2012 and March 2016:

(1) £100 – 27.09.12	(7) £100 – 08.07.15
(2) £100 – 24.01.14	(8) £250 – 01.09.15
(3) £100 – 22.04.14	(9) £200 – 06.12.15
(4) £135 – 13.07.14	(10) £165 – 07.02.16
(5) £150 – 08.01.15	(11) £165 – 30.03.16
(6) £100 – 08.05.15	

Ms L says that she was experiencing financial difficulties and had a gambling problem during this period. She believes the loans provided by Wage Day made things worse. Wage Day don’t agree that they did anything wrong when they lent to Ms L. They say their lending decisions were based on the information she gave them together with bespoke credit scoring data they collected.

Our adjudicator investigated the complaint. She thought Wage Day could’ve done more checks but concluded that even if there were times more checks could have been completed, the loans were generally affordable. Ms L doesn’t agree with this opinion, so the complaint has been passed to me.

In January this year I issued a provisional decision about this complaint. The following are excerpts from my provisional decision which form part of this final decision:

“my provisional findings

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

The rules and guidance applicable to short term lending at the time each of the loans were taken required Wage Day to lend to Ms L responsibly. This meant that before giving Ms L the loans, Wage Day had to make sure she could afford to repay them. There was no set list of checks they had to perform, but any checks needed to be proportionate to factors like the size of the loan and Ms L’s circumstances.

From what I’ve seen I don’t think it was a problem for Wage Day to provide Ms L with the first five loans. I’ve looked at the records Wage Day have produced to support what they have said about completing checks. I can see that before lending Ms L the first five loans they found out about her circumstances. Generally, Ms L appears to have been consistently asked about her income and expenditure and on the basis of the information she gave Wage Day, she would have had enough to sustainably repay the loans. For example, when Ms L took out her fourth loan the information she provided indicated she had a disposable income of £400. As the loan was for £135, Ms L appeared to have enough to sustainably repay it. There weren’t other pieces of information that contradicted what she told them and I can see she repaid all of the first four loans within the initial agreed time frame. Also, the loan amounts themselves weren’t particularly high in proportion to her declared income.

Ms L went on to take out six more loans with Wage Day. I've looked at these next.

Before Ms L took out loan five in May 2015, she tended to borrow fairly infrequently and, as outlined, she repaid the loans within the original agreed time frames. But by the time she took out loan six there were some indicators that I think should have prompted Wage Day to go further with the checks they were completing. Ms L had been unable to pay back loan five on time and had needed to rollover payment of it twice. She then took out another loan with Wage Day only ten days after she settled this loan. Loans eight and nine were also rolled over and taken out within six to ten days of one another. The delays in repayment and the quick take up of new loans didn't necessarily mean that Ms L shouldn't have been given the loans. But what these issues did signal was a change in Ms L's borrowing pattern which I think suggested she may have been under some pressure with her finances.

There weren't any specific checks that Wage Day needed to do but I think that before lending her the remaining loans they should have tried to find out more about what she could afford and establish why she was borrowing money from them so regularly. One method they could have used to do this was to check her bank statements. I've done this and can see that she had a regular income of around £1100 when she took out the remaining loans and that she was in receipt of benefits as well. Ms L did have regular monthly outgoings which were higher than she had declared to Wage Day, but despite this it appears that she would have had enough in disposable income to repay loans six (£100), seven(£100) and eight (£250). So I don't think more checks should necessarily have caused Wage Day to decide not lend Ms L these particular loans.

In December 2015 Wage Day provided Ms L with her ninth loan. I think it was irresponsible of Wage Day to give Ms L this loan and the ones that followed.

The previous loan (loan eight) was for £250. Ms L took out loan nine only ten days after this was repaid. Wage Day have said that when Ms L took out loan eight they identified that she was a "sequential lender" and as a result considered it necessary to complete an affordability assessment. It seems that the affordability assessment results led them to conclude it was appropriate to waive the interest on the loan. Wage Day's actions up to this stage were reasonable; they'd picked up that Ms L may have been experiencing some problems and took steps to support her. But, after identifying Ms L as a sequential lender it's unclear why Wage Day then considered it right to lend her more money even though nothing had changed. Loan nine was provided to Ms L only six days after she had settled loan eight; a loan which she had deferred repaying despite the interest on it being waived.

I accept a check of Ms L's statement is likely to have indicated she had a disposable income available, but there were clear signs that Ms L wasn't managing her finances well. She has been open with us in relation to the problems she has had with gambling. From her statements I can see that she generally spent around £800 a month placing bets. It may be that the frequent gambling was the reason she was borrowing regularly and had to defer repaying the loans she borrowed. In any event by the time Ms L took out loan nine she had been borrowing from Wage Day for around three years and seemed to be using the loan money she was getting for long term spending and gambling. In these circumstances I don't think it was responsible for Wage Day to lend to her. And ultimately she couldn't afford to sustainably repay the last three loans. She rolled over loans nine and ten and defaulted on loan eleven. Wage Day say that an outstanding balance remains on loan eleven."

response to my provisional decision

Wage Day and Ms L didn't provide any more information.

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 that, I think the fair and reasonable outcome of this complaint remains as outlined in my provisional decision.

putting things right

Based on what I've seen I don't think Wage Day should have lent Ms L loans nine to eleven. So Wage Day should:

- refund all interest and charges applied to those loans.
- pay interest at 8% simple per year on any refund from the date of payments to the date of settlement†;and
- deduct any capital amount outstanding from the interest and charges refunded and pay the balance to Ms L. Wage Day UK should provide a statement setting out clearly how it's calculated this part of the refund.
- remove any adverse information about those loans from Ms L's credit file.

†HM Revenue & Customs require Wage Day to take off tax from the 8% interest they pay her. Wage Day must give Ms L a certificate showing how much tax it's taken off if she asks for one.

my final decision

I partly uphold Ms L's complaint against Wage Day Advance Limited and direct that they put things right as I've outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 13 March 2017.

Tope Adeyemi
ombudsman