

complaint

Mr N has complained Wage Day Advance Limited didn't check properly whether he could afford the loans he took out with them in 2013.

background

Between July and November 2013, Mr N took out six loans with Wage Day. These increased in value from £150 to £600. Mr N always paid in full when payment was due until he got to the last loan taken out in late November.

Mr N had a number of other loans with other lenders and has complained to them that insufficient checks were carried out. Wage Day didn't agree and felt it was meeting all the appropriate guidelines at the time. Mr N has brought his complaint to the ombudsman service.

Our adjudicator reviewed the evidence and asked Wage Day to pay back interest and charges added to the last two loans taken out. He felt by that stage Wage Day should have been able to identify Mr N was in a pattern of relying on these loans. Wage Day didn't agree with this and have asked an ombudsman to review 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.

Wage Day feel they've met the guidance issued by the Office of Fair Trading (OFT) in 2010 on irresponsible lending. And I agree businesses have some choice in the affordability checks they carry out. Not only that but I wouldn't always expect a lender to carry out credit checks when someone is borrowing relatively small amounts of money – as little as £100 – for short periods of time.

However if businesses don't carry out checks to provide them with a better picture of someone's financial commitments, I believe they are accepting a level of risk that it may turn out their customer couldn't afford the loan. And I'm satisfied this is what has happened here.

Within a fortnight of his first loan, Mr N's request for money doubled to £300. And then within three months, this doubled again. I think it's appropriate at that stage Wage Day should have carried out a credit check. There's no evidence they did because they were relying on their history with Mr N. And I note he'd repaid four loans taken out within a three month period successfully.

However if they'd looked at his credit record, they'd have seen Mr N was borrowing money from a number of payday lenders. He had quickly found himself unable to pay without relying on further borrowing. Within three months of Mr N initially borrowing money from Wage Day, I believe they should have recognised the pattern and known Mr N was relying on payday loans. Or alternatively they could have chosen to check Mr N's credit record to understand the position he was in. There's no evidence they did this.

I've also seen no evidence Wage Day reviewed what Mr N's stated expenditure was. Mr N was claiming a considerable amount of income with quite a low-level of expenditure. I believe Wage Day, if they were considering whether Mr N could afford these loans, could

have probed further. The fact he was regularly applying for loans – at ever increasing amounts – should have tipped them off not all was well.

Overall I can't see the latter two loans were ever affordable.

I broadly agree with our adjudicator's view of what Wage Day should do to put things right. Wage Day should refund all interest and charges for Mr N's last two loans along with 8% simple interest.

my final decision

For the reasons I've given, my final decision is to instruct Wage Day Advance Limited to:

- Pay back interest and charges on the last two loans Mr N took out with them, along with 8% simple interest per annum from the dates he paid those sums to the date of settlement; and
- Make sure information on these loans are removed from Mr N's credit records as they were unaffordable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 18 April 2016.

Sandra Quinn
ombudsman