

complaint

Miss M complains that CURO TRANSATLANTIC LIMITED (trading as Wage Day Advance) gave her loans that she couldn't afford to repay. She asks that it refunds interest and charges and removes information about the loans from her credit file.

background

Miss M took out 10 loans between June 2016 and January 2017. Miss M says she had to borrow to repay the loans.

The adjudicator recommended that the complaint should be upheld, saying:

- The checks made by Wage Day Advance before the first four loans were proportionate. Miss M told Wage Day Advance her monthly income was £950. Based on information she provided about her expenditure the repayments appeared affordable. While Wage Day Advance didn't provide the results of its credit check, there was nothing on Miss M credit report to suggest any cause for concern.
- Miss M continued to borrow and this could suggest she was reliant on short term loans. Wage Day Advance should have made further checks and verified the information she provided before the fifth and later loans. Miss M's income was £1,047 and her outgoings were £857. This didn't leave enough income to repay the loans and meet any unexpected expense or emergency.
- Wage Day Advance should refund interest and charges on loans 5 to 10, with 8% interest, and remove negative information about the loans from Miss M's credit file.

Wage Day Advance didn't agree. It said based on information provided by Miss M the loans were affordable. It asked whether the information Miss M had provided to us had been verified using Miss M's bank statements. Wage Day Advance said Miss M repaid the loans early each time. This meant she had disposable income left to use as she saw fit or to meet any unforeseen expense.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss M took out the first loan, of £150, in June 2016. She told Wage Day Advance her monthly income was £950 and her outgoings were £260. Wage Day Advance did a credit check. From the available evidence, it seems unlikely the results suggested further checks were needed. I think these checks were proportionate. I also think these checks were proportionate for the next three loans, which were all for £80.

Miss M took out another six loans. All of the loans were for £80 and were repaid early – usually within a few days of taking them out. But Miss M was borrowing on a regular basis and this can suggest a possible problem. I don't think when she took out the fifth loan, at the beginning of August 2016, it was enough for Wage Day Advance to rely on her answers to

its standard application questions. I think it should have asked for information to gain a full understanding of Miss M's financial circumstances. While there are different ways of doing this, one is to look at her bank statements.

Miss M provided statements for the bank account that the loans were paid into. I can't see credits for her income or payments for normal living costs in the statements. There are a number of transfers between this and another account. I think Miss M was also using another account. But, while I don't have statements for that account, I think I have enough evidence that the loans were not affordable.

The bank statements show Miss M was borrowing regularly from other short term lenders. For instance, in July 2016 she received £1,000 and paid £629 to short term lenders. In September 2016 she received £1,450 and paid £450 and in November she received over £1,500 and paid £650 to short term lenders. There are a significant number of gambling transactions. Miss M provided a statement from a debt management company which shows she had debts of more than £13,000 by the end of 2016. Most of the creditors are short term lenders. This is consistent with her bank statements. I don't think Miss M could afford to meet her normal outgoings and existing short term commitments and repay the loans from Wage Day Advance.

It seems likely that Miss M had another account which she used for her income and normal living costs. But if she'd provided the statements for that account, I don't think Wage Day Advance would have offered the loans. It says it only lends to persons in employment. Miss M says she was unemployed and this is consistent with the statement from the debt management company. It's also likely Wage Day Advance would have seen, and been prompted to ask questions about, the transfers to Miss M's other account.

I think if Wage Day Advance had looked properly at Miss M's financial circumstances in mid 2016 it wouldn't have assessed further lending as affordable.

I don't think Wage Day Advance should have agreed to lend to Miss M after, and including, the loan that she took on 1 August 2016. So for each of those loans Wage Day Advance should:

- Refund all interest and charges that Miss M paid on the loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Write off any unpaid interest and charges, apply the refund to reduce any capital outstanding and pay any balance to Miss M;
- Remove any negative information about the loans from Miss M's credit file.

*HM Revenue & Customs requires Wage Day Advance to take off tax from this interest. Wage Day Advance must give Miss M a certificate showing how much tax it's taken off if she asks for one.

my final decision

My decision is that I uphold this complaint. I order CURO TRANSATLANTIC LIMITED to amend Miss M's credit file and pay the compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 28 August 2017.

Ruth Stevenson
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