

complaint

Mr S complains that Curo Transatlantic Limited trading as Wage Day Advance (WDA) lent him unsuitable payday loans. He wants a refund of his interest and for his credit file to be amended.

background

Mr S took out eight loans from WDA between May 2013 and January 2017. He said he was borrowing increasing amounts from other lenders to repay previous loans. WDA said it had carried out all the necessary affordability checks before approving the loans. It offered to set up a repayment plan to clear what Mr S still owed.

Our adjudicator recommended that the complaint should be upheld in part. He thought that WDA's affordability checks had been proportionate and sufficient for loans one to three, but not after that. He thought that if WDA had made sufficient checks on loans four to eight, it would have seen that Mr S could afford to repay loan seven, but not the others. This was because of the amount of his other short-term borrowing.

So the adjudicator thought WDA had been wrong to lend Mr S loans four, five, six and eight. He thought WDA should refund Mr S his fees and charges for these, with interest, and offset this against any principal still outstanding. He also thought it should remove any related adverse information from Mr S's credit file.

WDA replied that it had carried out a credit check from loan five but this wouldn't have shown Mr S's short-term borrowing. It said it had relied on Mr S providing accurate information about his finances.

my findings

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

Mr S's first loan was for £150 (£194.25 with interest). He repaid this and then three years later started a chain of monthly borrowing. His loans were for amounts ranging from £200 (£206.40 - £252.80) for loans two and three, £350 (£459.20) for loan four and then £405 (about £490) for loans five to eight. Mr S defaulted on loan seven before repaying it. There's a balance still outstanding for loan eight.

WDA was required to lend responsibly. It should have made checks to make sure Mr S could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr S was borrowing, and his lending history. But there was no set list of checks WDA had to do.

WDA said it asked Mr S for his monthly income and about his outgoings. These were £1,350 and £450 for loan one and then £1,480 and £700 for the rest of his loans. WDA said it carried out credit checks from loan five onwards but it hasn't told us what these checks found.

I agree with the adjudicator that WDA's checks for loans one to three were proportionate and sufficient. The amounts borrowed were small compared to Mr S's stated disposable income. They looked affordable. So I can't say it was wrong for WDA to approve loans one to three.

Loan four was for a much larger amount. Mr S would have to repay about a third of his income. This was the third loan in a chain of back to back loans. I think this should have prompted WDA to make further checks that Mr S wasn't dependent on short-term lending and to verify his circumstances. I think it should then have looked more closely at his finances.

I've looked at Mr S's bank statements from the time to get this information, but WDA could easily have asked Mr S for it. These show that Mr S was borrowing large amounts from other short-term lenders to fund his gambling habit. Looking at his other loan repayments, he didn't have sufficient disposable income to repay WDA's loans four to six and eight.

WDA said it made credit checks, but it hasn't told us what these found. It said these checks wouldn't have shown Mr S's recent short-term loans. But I think they would have shown the extent of his borrowing. And I think this should have prompted it to ask further questions.

So I think that if WDA had made sufficient checks, it would have seen, as I have, that Mr S couldn't afford loans four to six and eight. And so I think it was wrong to provide these loans.

my final decision

My final decision is that I uphold this complaint in part. I require Curo Transatlantic Limited trading as Wage Day Advance to do the following:

1. Refund Mr S the interest and charges he paid on loans four, five, six and eight, adding interest at 8% simple per annum from the date of payment to the date of settlement. It should also waive any interest and charges still outstanding. This refund should be offset against the principal Mr S still owes for loan eight and a repayment plan agreed to clear any balance remaining.
2. HM Revenue & Customs requires WDA to withhold income tax from that interest. It must give Mr S a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 October 2017.

Phillip Berechree
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