

complaint

Ms B complains that the loans she had with Wage Day Advance Limited were unaffordable.

background

Ms B's first Wage Day Advance loan application was in June 2014. It approved a £150 flex advance loan to be repaid over 18 months. Ms B repaid it in July 2015. That day she applied for another £150 loan which she repaid three weeks later. Three days later, on 10 August, Ms B applied for a third £150 loan which she repaid on 9 September. On 19 September, Ms B applied for an £80 loan which she repaid on 19 October. Wage Day Advance approved a further £80 loan on 24 October 2015, which was repaid on 1 December 2015. On 3 December 2015, Ms B took out another £150 flex loan which she repaid on 1 April 2016, before applying for a final £325 flex loan on 8 April 2016. Ms B couldn't repay this last loan.

Our adjudicator recommended the complaint should be upheld. He was satisfied the checks carried out by Wage Day Advance for the first two loans were sufficient given Ms B's income and repayments. However, he considered Wage Day Advance should've carried out further checks when Ms B applied for her third loan shortly after repaying the second. He said, if it had done so, Wage Day Advance would have found Ms B was borrowing money from other short term loan providers as well as having a clear gambling habit. He recommended Wage Day Advance should refund all interest and charges from the third loan onwards (plus 8% interest) and remove any related adverse information from Ms B's credit file.

Ms B says if Wage Day Advance had looked at her credit file, it would not have lent to her.

Wage Day Advance responded to say, in summary, that Ms B had a good repayment record, it had no obligation to use information from credit reference agencies, Ms B had requested less money for the fourth and fifth loans and the final two loans were instalment loans.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Ms B and to Wage Day Advance on 3 May 2017. I summarise my findings:

- I found Wage Day Advance did enough checks before agreeing to Ms B's first and second loans - the scheduled monthly repayments were a small proportion of her declared disposable income and Ms B repaid her first loan early.
- Unlike the adjudicator, I did not conclude Wage Day Advance should have carried out further checks before approving the third and fourth loans. I said that because there had been over a year between the first and second loan applications, so I didn't consider the third loan indicated a cycle of debt. The repayments on both loans remained a small proportion of Ms B's declared disposable income and the fourth application was for just over half the amount of the previous loans. Ms B continued to make repayments on time.
- I considered it unreasonable that Wage Day Advance didn't check Ms B's other financial commitments when she applied for the fifth loan. By then Ms B had applied for loans in four consecutive months and applied for the fifth loan five days after repaying the fourth.
- Had Wage Day Advance carried out further checks, it would have found a clear reliance on other short-term lenders, as well as a significant gambling issue. I was satisfied that Wage Day Advance would have found the fifth loan to be unaffordable on that basis.
- Although I recognised the final two loans were instalment loans, Ms B's bank statements showed the monthly repayments on these were also unaffordable.

- I found Wage Day Advance acted fairly and reasonably when it froze the interest on the final loan after hearing of Ms B's financial difficulties.

In summary, I found Wage Day Advance should have done further checks for loans five, six and seven. Had it done so, I'm satisfied it would have found these loans to be unaffordable. So it follows it should refund the interest and charges for these loans (plus 8%) and remove any related adverse information from Ms B's credit file.

Ms B responded to say that although she took out a lower amount for the fourth loan, this wasn't by choice – she says £80 was the maximum the online application system allowed.

Wage Day Advance said it had no further information to add.

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 Advance was required to lend responsibly. It should have made checks to make sure Ms B could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Ms B was borrowing, and her lending history. But there was no set list of checks Wage Day Advance had to do.

I accept Ms B says she was constrained by the system for her fourth application, but I need to consider whether Wage Day Advance needed to carry out further checks based on the actual size of the loan. For the reasons cited above, I was satisfied Wage Day Advance had carried out sufficient checks for the fourth loan. Indeed, it is likely the online application system had built-in criteria of its own resulting in the reduction in the maximum loan amount.

So, although I've taken into account Ms B's response, my decision remains unchanged.

my final decision

My decision is that I uphold this complaint in part. Wage Day Advance Limited should:

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

*HM Revenue & Customs requires Wage Day Advance to take off tax from this interest. Wage Day Advance must give Ms B a certificate showing how much tax it's taken off if she asks for one. If Wage Day Advance intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 15 June 2017.

Amanda Williams
ombudsman