

## complaint

Mr H complains that CURO TRANSATLANTIC LIMITED, trading as WageDay Advance, gave him loans he couldn't afford to repay.

## background

Mr H took out the following loans with WageDay Advance:

	date	£ amount borrowed	date repaid
1	2 November 2011	80	15 November 2011
2	28 November 2011	230	15 December 2011
3	16 December 2011	380	

Mr H and WageDay Advance agreed a payment plan in relation to loan three and Mr H made his last payment in April 2014.

Mr H says he couldn't afford to repay the loans, which caused him great distress.

Our adjudicator thought that the checks WageDay Advance carried out before loan one were proportionate but that it didn't carry out proportionate checks before loans two and three. She said that didn't make any difference in relation to loan two, as proportionate checks would have shown that Mr H could afford to repay that loan. The adjudicator said that proportionate checks before loan three would have shown that whilst Mr H could repay the loan, he wouldn't have been left with enough money to cover unexpected expenses. She set out what she thought WageDay Advance should do to put that right.

WageDay Advance didn't agree with the adjudicator and asked that an ombudsman consider the complaint. It said, in summary:

- It wasn't required to ask Mr H for supporting documentation in relation to his income and expenditure.
- It was entitled to rely on the information Mr H gave.
- For the relevant period here, it wasn't possible to find out if a customer had other payday loans.

## my findings

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

Before agreeing to lend to Mr H, WageDay Advance had to check each time that he could afford to make the repayments. The checks it did had to be proportionate. What's proportionate depends on things like the size of the loan repayments and the information it had about Mr H. There's no set list of the checks a lender should carry out.

Before agreeing to loan one, WageDay Advance asked Mr H about his monthly income and expenditure, which it recorded as £1,400 and £50 respectively.

Mr H's first loan was for £80 and the amount he'd have to repay was a small proportion of his stated monthly income. This was the beginning of Mr H's lending relationship with WageDay Advance. At this stage, I think WageDay Advance's checks were proportionate and that it was entitled to rely on what Mr H said about his income. I don't think it should have done more before loan one.

Loan two was for considerably more and in the same month as loan one. I think at this stage, proportionate checks would have included asking Mr H about his income and about his normal monthly living costs and regular financial commitments. On the face of it, WageDay Advance did that but Mr H said his expenses were £50. That's unlikely to have been correct. So WageDay Advance should have asked more questions about Mr H's monthly living expenses and regular financial commitments. I can't see that it did that. I don't think it carried out proportionate checks before loan two.

Loan three was for more than loan two and the amount Mr H would have to repay for loan three was around a third of his stated monthly income. Also, Mr H took out loan three the day after he'd repaid loan two, so a pattern of borrowing was emerging that suggested Mr H was reliant on this sort of short-term borrowing. I think that before loan three, proportionate checks are likely to have established a much fuller picture of Mr H's financial position. I think proportionate checks here would've meant that WageDay Advance took steps to verify the information Mr H provided about his financial situation. In the circumstances here, I don't agree that it was sufficient to simply rely on the information Mr H provided. I appreciate that credit checks haven't always shown short-term borrowing but there were other ways to verify what Mr H said about his financial situation.

As WageDay Advance doesn't appear to have carried out proportionate and sufficient checks, I can't say for sure what it would've found out had it done so. Mr H has provided us with evidence of his financial circumstances at the time he applied for the loans. So I've been able to get a picture of what his financial circumstances were like. Of course, I accept that this isn't perfect, as different checks show different things. And just because something shows up in the information Mr H has now provided, it doesn't mean that it would've shown up in any checks that WageDay Advance might have carried out. But the information Mr H has provided is the best indication I have of what his financial circumstances were at the relevant time. In the absence of anything else, I think it's reasonable to rely on it.

I've said that before loan two, WageDay Advance should have asked Mr H more questions about his monthly living expenses and regular financial commitments. I think if it had done that, it would have concluded that Mr H could afford to repay loan two.

I've said that before loan three, WageDay Advance should have verified what Mr H said about his financial situation. I think if it had done that, it would have seen that after Mr H's normal monthly living costs and regular financial commitments he had enough money left to repay loan three but he wouldn't have been able to pay for any unexpected financial emergencies that occurred. Also, proportionate checks would have shown that Mr H was spending considerable sums on gambling. Whilst he had some wins from his gambling, the level of his spending suggests that he would struggle to repay further borrowing. So, I think that proportionate checks would have shown that Mr H couldn't afford to repay loan three in a sustainable way.

Considering everything, I don't think WageDay Advance has shown its checks for loans two and three were sufficient or proportionate. If it had carried out proportionate checks, I think it would've seen that loan three was unaffordable. On balance, I don't think it should have given Mr H loan three.

Overall, I think the adjudicator's proposed resolution of this complaint is fair and reasonable. I agree with the adjudicator's conclusions and don't see any compelling reason to change the proposed outcome in this case.

### **my final decision**

I uphold this complaint. To put things right I require CURO TRANSATLANTIC LIMITED, trading as WageDay Advance:

1. To refund to Mr H all interest and charges he's paid on loan three plus pay simple interest at the rate of 8% a year\*, from the date each sum was paid until the date of settlement;
2. To remove any negative information about loan three from Mr H's credit file.

\* HM Revenue & Customs requires CURO TRANSATLANTIC LIMITED, trading as WageDay Advance to take off tax from this interest. It must give Mr H a certificate showing how much tax it's taken off, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 October 2018.

Louise Povey  
**ombudsman**