

complaint

Mr A has complained that a number of loans he took out with WDFC UK Limited during 2012 and 2013 were unaffordable.

background

Mr A took out a number of loans with WDFC between 2012 and 2013. Subsequently, WDFC wrote to Mr A to say his outstanding balance had been written off, as his account had been included in the FCA's affordability announcement. It also made him an offer of £143.92, to represent the interest and charges on his previous loans.

However, Mr A had concerns about the sufficiency of this, so complained to this service.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

WDFC has not responded to any of this service's information requests. Accordingly, I have relied on the evidence provided by Mr A. was able to provide me with his bank statements and payment confirmation document. The statements provided by Mr A show to my satisfaction that the following 15 loans were granted in 2012:

- 26 June 2012 loan granted for £150
- 2 July 2012 loan granted for £100
- 5 July 2012 loan granted for £ £300
- 19 July 2012 loan granted for £350
- 27 July 2012 loan granted for £150
- 2 August 2012 loan granted for £260
- 7 August 2012 loan granted for £50
- 16 August 2012 loan granted for £325
- 13 September 2012 loan granted for £140
- 2 October 2012 loan granted for £215
- 11 October 2012 loan granted for £280
- 8 November 2012 loan granted for £350
- 13 November 2012 loan granted for £320
- 23 November 2012 loan granted for £310
- 6 December 2012 loan granted for £364

There is also evidence to suggest that a further 17 loans were granted in 2013, between the months of January and August. Looking at the payment confirmation for the loan taken out in 26 June 2012 it shows that his repayment date was 5 July 2012. Mr A's bank statement shows that an additional loan was granted on the payment due date - despite no payment being received for the previous loan. This suggests strongly that Mr A was struggling to meet repayments.

The frequency of the loans clearly shows me that Mr A was dependent on them, despite the product being intended as a short-term solution. The Office of Fair Trading's ('OFT') Irresponsible Lending Guidance explains what it considers to be unfair practice, and this seems to apply here:

“Repeatedly refinancing (or ‘rolling over’) a borrower’s existing credit commitment for a short-term credit product in a way that is unsustainable or otherwise harmful. The OFT considers that this would include a creditor allowing a borrower to sequentially enter into a number of separate agreements for short-term products, one after another, where the overall effect is to increase the borrower’s indebtedness in an unsustainable manner.”

Further, it is clear from Mr A’s bank statements, and his explanations about his income and expenditure, that he did not have sufficient disposable income to afford the repayments. As I have not been provided with details of what WDFC knew of his outgoings, I can only conclude that it did not carry out appropriate affordability checks.

Accordingly, I am satisfied WDFC should refund all interest and charges applied to all of the loans, adding 8% simple interest per annum. It does not need to refund the capital sums, as Mr A had the benefit of these funds. I am also satisfied that Mr A was caused distress and inconvenience by the situation, for which I consider £100 compensation to be appropriate.

my final decision

For the reasons given above, it is my final decision to uphold this complaint. I require WDFC UK Limited to:

- a) refund all interest and charges applied to Mr A’s loans, minus any capital funds previously written off, adding 8% simple interest per annum, from each date the payment was made by Mr A, to the date of settlement; and
- b) pay £100 compensation.

If it has already paid the £143.92 it previously offered, it may deduct this from the total settlement.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 18 May 2015.

Elspeth Wood
ombudsman