Allegiant Finance Services: The Original Payday Loan Claims Company Breaks Silence On Wonga Collapse Rumours Whilst Claiming Automatic Credit Card Increases Are The Next Mis-Selling Scandal.

Wednesday 29 August, 2018

Allegiant Finance Services Limited, a regulated Claims Management Company based in Cheshire, has today lifted the lid on the booming payday loan claims industry and the tug of war between payday loan lenders, the Financial Ombudsman Service and consumer representatives.

Jemma Marshall, Managing Director, commented:

"This weekend saw yet another leak from "Wonga sources" to Sky News concerning the purported long-term viability of the business. What has not been widely reported is that the Financial Ombudsman Service is on the cusp of making a wide-ranging landmark decision on the validity of claims against loans taken out over 6 years' ago. This would open the floodgates to claims against Wonga during a period in which it failed to ask consumers about their outgoings before deciding they were good candidates for credit.

All the indicators point towards the 6-year jurisdiction question being resolved in consumers' favour, and whilst we don't doubt Wonga could place itself into administration, we do wonder whether these leaks are tactical and designed to apply pressure to the Financial Ombudsman Service to restrict the scope of claims that can be made to those under 6 years. This threat is amplified because, should Wonga fold, we understand Wonga is not covered by the Financial Services Compensation Scheme, a fund designed to refund consumers where a lender becomes insolvent. This could be high stakes poker.

The Wonga conundrum is even more complex because of its group structure. The regulated entity is WDFC UK Limited, but this is a subsidiary of Wonga Group Limited which we understand may be asset rich and controls the subsidiary. Whilst there is little doubt that collapsing the subsidiary would enable Wonga to side step consumer claims, the bigger question is whether the FCA is prepared to stand by and allow Wonga Group Limited to set up another lending subsidiary without ramification. The new subsidiary would need FCA authorisation to operate. So, whilst UK insolvency law may on the face of it allow Wonga to tactically collapse WDFC UK Limited, the requirement for the FCA to authorise the next business could represent something of a headache. This may go some way to explaining why Wonga's investors, who were prepared to support it with a £10 million investment just weeks ago, do not necessarily see collapsing WDFC UK Limited as an easy option."

What is the 6-year rule?

A lender can object to the Financial Ombudsman Service reviewing a complaint 6 years after the event complained of. Lenders such as Wonga argue that this prevents consumers claiming about loans taken out over 6 years ago. However there is a lesser known, alternative rule, which permits a consumer to complain if they became aware of a cause for complaint in the last 3 years. Claims Management Companies, such as Allegiant Finance Services, argue that recent heightened awareness of historic payday loan lender malpractice permits consumers to claim for all loans that were unaffordable, regardless of when they were taken out.

Automatic Credit Card Increases next?

Allegiant Finance Services comments that the very rules around unaffordable lending by payday loan lenders is also likely to bite credit card providers who didn't put their mind to affordability when increasing credit card limits.

Jemma Marshall commented:

"*The FCA has recently turned its guns on mainstream credit card providers by noting a lack of affordability checks by lenders when increasing credit cards. Payday loan claims are less about the extortionate rates charged and more about whether in fact the consumer could sustainably repay the amount borrowed, plus interest the next month. It stands to reason that consumers who paid interest on unaffordable credit limits should be compensated.*"

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Press Note: Allegiant Finance Services Limited (https://paydayloanclaims.net) is the UK's original dedicated payday loan claims company and has been claiming payday refunds since 2013. The business is representing over 1,500 consumers in claims against Wonga. Proud to be a new era, ethical Claims Management Company, Allegiant does not cold call, text or direct mail, and provides its payday loan claims service at the industry's lowest fee.

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