

complaint

Mrs H complains that WDFC UK Limited (trading as wonga.com) gave her loans that she couldn't afford.

background

Mrs H took out a total of five loans with Wonga in November and December 2016.

Loan	Date	Amount	Total repayment inc. interest	Closed
1	16.11.16	£100	£101.60	18.11.16
2	21.11.16	£100	£102.40	24.11.16
3	27.11.16	£120 + 3x 100 top-up	£434.48	03.12.16
4	04.12.16	£308	£320.32	09.12.16
5	10.12.16	£480		

Mrs H was unable to make the repayments on the final loan when they were due. She entered into a debt management plan, under which she's made monthly payments towards the loan. When she brought her complaint to us, there was a significant balance outstanding.

Mrs H believes Wonga was irresponsible to lend to her. She says it gave her the loans even though she wasn't in a position to pay them back. And she says she had numerous loans outstanding at the same time, and ended up having to enter into a debt management plan.

Our adjudicator recommended that the complaint should be upheld in part. Briefly, she thought Wonga had done enough checks before it made the first three loans. But she thought that when Mrs H applied to top up loan 3, it ought to have done more to check that she could afford the repayments. She thought that if had asked Mrs H specifically about other short-term loans, it would have realised that she couldn't afford the top-ups. And she thought that proportionate checks would have shown Wonga that Mrs H had no disposable income when she applied for loans 4 and 5.

So the adjudicator recommended that Wonga refund all interest and charges that Mrs H paid on the top-ups of loan 3, and on loans 4 and 5, with interest on the refund. And she recommended that it remove any negative information about those loans from Mrs H's credit file.

Mrs H was happy with the adjudicator's view. But Wonga hasn't responded to it, and the time for doing so has expired. So the complaint has been passed to me for final decision.

my findings

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

Wonga was required to lend responsibly. It needed to make checks to see whether Mrs H could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Mrs H was borrowing, the length of the agreements and his borrowing history. But there was no set list of checks Wonga had to do.

Before making each loan, Wonga asked Mrs H for details of her net monthly income and expenditure, and it carried out a credit check.

Mrs H told Wonga her monthly take-home pay was £1498, and her regular living expenses were £950.

The first two loans were for a small proportion of Mrs H's declared net monthly income. From what she told Wonga, it appeared that she'd have nearly £550 left over after her regular monthly expenses. So it would have looked as if she'd be able to afford to repay the loans relatively comfortably. I've seen the results of the credit check that Wonga carried out, and I'm satisfied that it didn't show anything that ought to have prompted Wonga to carry out more detailed checks before lending. So I don't think it was irresponsible to make the first two loans.

My view is the same regarding Mrs H's original application for the third loan, which wasn't for significantly more than the first two loans. But Mrs H applied to top the loan up with a further £100 later the same day, taking the total loan to £220. That was a more significant proportion of her declared monthly income. And given that she'd already borrowed from Wonga twice in the previous fortnight, I think it should have checked more carefully to see whether there were signs that Mrs H wasn't borrowing sustainably.

As a minimum, I think Wonga should have asked Mrs H specifically about any other short-term loans she had outstanding at the time. And if it had done so, I think it's likely that it would have discovered that Mrs H already had loans outstanding with several other short-term lenders. And the repayments on those loans would have left her with no disposable income. That remained the case when Mrs H applied for the further top-ups on loan 3, and when she applied for loans 4 and 5.

So if Wonga had asked Mrs H specifically about other short-term loans when she applied to top up loan 3, and when she applied for loans 4 and 5, I think it would have realised that she couldn't afford them. And that's the case even bearing in mind that the repayments for loans 4 and 5 were due to be spread over three months

The conclusion that Mrs H couldn't afford to take any more loans would have been reinforced further if Wonga had got a full picture of Mrs H's financial situation before making loans 4 and 5. And I think it should have done, given the number of loans Mrs H had taken in quick succession, and the increasing amounts she was borrowing. If, for example, Wonga had looked at Mrs H's bank statements, it would have discovered that she was spending a significant proportion of her monthly income on gambling. And she was borrowing from one lender to repay another. So I think it should have realised that she was unlikely to be in a position to repay the loans without having to borrow again to do so.

Taking everything into account, I don't think Wonga should have agreed to allow Mrs H to top up loan 3. And I don't think it should have made loan 4 or 5.

putting things right

To put things right, WDFC UK Limited (trading as Wonga.com) should:

- refund all interest and charges that Mrs H paid on the top-ups she took out on loan 3, and all interest and charges she paid on loans 4 and 5;
- pay interest on those refunds at 8% simple* per year from the dates of payment to the date of settlement;
- write off any interest and charges that haven't yet been paid;
- apply the refund to reduce any capital outstanding, and repay any balance to Mrs H; and
- remove any negative information about the loans referred to in the first bullet point above from Mrs H's credit file.

† HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mrs H a certificate showing how much tax it's taken off if she asks for one.

my final decision

My final decision is that I uphold this complaint in part. I require WDFC UK Limited (trading as wonga.com) to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 29 January 2018.

Juliet Collins
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