

complaint

Miss R complains that WDFC UK Limited (trading as Wonga) gave her loans she couldn't afford to repay. She asks that it refunds interest, with 8% interest, and removes the loans from her credit file.

background

Miss R took out 27 loans and three top up loans between March 2013 and March 2016. Miss R says Wonga didn't do affordability checks and allowed her to take out loans consecutively.

The adjudicator recommended that the complaint should be upheld, saying:

- Wonga didn't do sufficient checks before offering the first two loans. But, if it had, it's likely it would have assessed the loans as affordable.
- Wonga should have made further checks before loans 3 to 6. When Miss R took out loan 3, it was her third loan in two months and the amounts were increasing. Wonga should have asked about her income and expenses (including any short term loans) and verified the information it received. Miss R didn't have enough disposable income to meet her living costs, regular financial commitments, short term commitments and repay the loans from Wonga.
- There was a break before Miss R took out loan 7. But it required a repayment of £1,140 compared to Miss R's stated monthly income of £4,550. Wonga should have checked her income and expenditure, including her short term commitments. At this time Miss R had monthly expenses of about £3,500. She didn't have enough income to repay the loan.
- Miss R took out a further 20 loans, taking out a loan nearly every month. This suggests reliance on short term loans and should have prompted further checks. Miss R's expenditure was increasing, including her borrowing costs. She paid £3,000 to short term lenders in some months.

The adjudicator said Wonga should refund interest and charges on the third and later loans, with 8% interest, and remove any adverse information from Miss R's credit file.

Wonga didn't agree, saying its checks were proportionate and didn't show Miss R had large amounts of outstanding debt. Wonga offered to refund interest and fees on loans 8 to 24 as Miss R's pattern of borrowing suggests some financial strain. Miss R didn't accept.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Loans 1 to 3

Miss R took out the first loan, of £400, in March 2013. She told Wonga her monthly income was £4,450. Given the amount of the loan, I think Wonga should have asked about Miss R's

normal monthly living costs and regular financial commitments. I think it should have asked for the same information when Miss R took out the second loan, of £520. I think had it done so, it would have assessed the loans as affordable. After meeting her normal living costs and regular financial commitments, Miss R had more than £700 available to repay the loans.

Loans 3 to 6

Miss R took out the third loan, of £746, in May 2013. This was her third loan in two months and the amount increased each time. This could suggest a problem and should have prompted further checks. I think Wonga should have asked about her short term commitments as well as her normal monthly living costs and regular financial commitments.

The next three loans, taken out between July and September 2013, required repayments of £1,144, £1,147 and £719. I think, given the amount of the loans and Miss R's borrowing pattern, Wonga should have asked for information to gain a full understanding of her financial circumstances. While there are different ways of doing this, one is to look at her bank statements.

Had Wonga carried out proportionate checks, it would have seen that Miss R couldn't afford these loans. Her normal monthly living expenses and regular financial commitments were about £3,600 in May 2013. She had outstanding short term loan commitments of £575. This didn't leave her with enough money to repay the loans. Her situation didn't improve before she took out loan 6. Her bank statements show increasing use of short term loans. They also show payments to gambling businesses.

Loan 7

There was a break of about 10 months before Miss R took out the next loan, of £1,000, in July 2014. But given the amount of the loan, I think Wonga should have asked for information to gain a full understanding of Miss R's financial circumstances. Miss R's bank statements show her income was £4,515. Her normal living costs and regular financial commitments were about £3,500. She didn't have enough income left to repay the loan. Her bank statements also show a number of payments to gambling businesses (totalling over £1,000 in the month before she took out the loan).

Loans 8 to 27

I think given the amounts of the loans (many required repayments of more than £1,100) and the frequency they were taken out, Wonga should have asked for information to gain a full understanding of Miss R's financial circumstances. Had it done so, I think it would have seen that Miss R didn't have enough disposable income to repay the loans. It would have seen there were payments to gambling businesses and to short term lenders for amounts which I consider significant relative to Miss R's income. While some of the loans were for smaller amounts, I don't think they were affordable and Wonga would have known this if it had made proportionate checks.

I don't think Wonga should have agreed to lend to Miss R after, and including, the loan taken out on 27 May 2013. So for each of those loans Wonga should:

- Refund all interest and charges that Miss R paid on the loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;

- Remove any negative information about the loans from Miss R's credit file.

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

my final decision

My decision is that I uphold this complaint. I order WDFC UK Limited to amend Miss R's credit file and pay the compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 14 August 2017.

Ruth Stevenson
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