

complaint

Mr J complains that WDFC UK Limited trading as Wonga didn't provide him with statements of his account so he couldn't check whether the amounts he had paid were correct. He later complained that the loans were unaffordable.

background

Mr J took out eight loans from Wonga between December 2013 and June 2014. Initially he complained that he hadn't had statements of his account from Wonga and so he couldn't see whether he had paid the correct amounts. Our adjudicator looked into this aspect of the complaint and didn't consider it should be upheld as Wonga wasn't required to send statements of account and it had sent statements when Mr J asked for them.

In response to the adjudicator's view Mr J said that Wonga should have been more robust before granting him the loans because he was in debt and struggling to pay back what he had borrowed. He also said he was borrowing increasing amounts from other lenders to repay previous loans.

Our adjudicator recommended that this aspect of the complaint should be upheld in part. She thought that Wonga's affordability checks had been proportionate and sufficient for loan one, but not after that. She thought that if Wonga had made sufficient checks on these loans, it would have seen that Mr J couldn't afford to repay loans five to eight because of the amount of his other short-term borrowing and his gambling spending. The adjudicator asked for Wonga's views on this aspect of the complaint.

Wonga said it had carried out all the necessary affordability checks before approving the loans. Wonga replied that it had carried out credit checks and asked Mr J about his outgoings. It said it had relied on Mr J providing accurate information about his finances. Mr J repaid his loans and there was nothing in his borrowing history that gave cause for concern.

The adjudicator still thought Wonga had been wrong to lend Mr J loans four to eight. She thought Wonga should refund Mr J his fees and charges for these, with interest. She also thought it should remove any related adverse information from Mr J's credit file.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I have reached the same conclusions as the adjudicator for broadly similar reasons.

With regard to the account statements I can see that Wonga arranged to send them to Mr J and further copies have been sent electronically through this service. I agree with the adjudicator's conclusions that Wonga didn't have to provide these statements but it has done so on Mr J's request. I can't ask it to do any more.

Wonga was required to lend responsibly. It should have made checks to make sure Mr J could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr J was borrowing, and his lending history. But there was no set list of checks Wonga had to do.

Mr J took out his first loan in December 2013 for £250 plus interest. He told Wonga he was earning £3500 per month. Given the loan repayment was a small proportion of Mr J's monthly income and this was his first loan I think the checks went far enough. Mr J repaid this loan in full and on time on 20 December 2013.

On 2 January 2014 Mr J took out a loan for £497 plus interest and this started a chain of monthly borrowing. His loans were for amounts ranging around £400 each time.

Wonga said it asked Mr J for his monthly income and about his outgoings. Wonga said it also carried out credit checks but it hasn't told us what these checks found and it can't provide the results of the outgoings it recorded.

I agree with the adjudicator that Wonga's checks for loans two to eight didn't go far enough. I can't be satisfied that it properly checked Mr J's outgoings to make sure he could afford what he was borrowing. Credit checks would only give part of the picture.

By the point of loan 5 I think that Wonga should have gone further before agreeing these later loans. It shouldn't have just relied on what Mr J said about his income and outgoings. By this point Mr J was borrowing regularly, shortly after repaying previous loans. I think this should have prompted Wonga to make further checks that Mr J wasn't dependent on short-term lending and to verify his circumstances. I think it should then have looked more closely at his finances.

I've looked at Mr J's bank statements from the time to get this information, but Wonga could easily have asked Mr J for it. These show that Mr J was borrowing large amounts from other short-term lenders to fund his gambling habit. Looking at his other loan repayments, he didn't have sufficient disposable income to repay Wonga's loans five through to eight.

Wonga said it made credit checks, but it hasn't told us what these found. These checks may not have shown Mr J's recent short-term loans. But I think they would have shown the extent of his borrowing. And I think this should have prompted it to ask further questions.

So I think that if Wonga had made sufficient checks, it would have seen, as I have, that Mr J couldn't afford loans five to eight. And so I think it was wrong to provide these loans.

my final decision

My final decision is that I uphold this complaint in part. I require WDFC UK Limited trading as Wonga to do the following:

1. Refund Mr J the interest and charges he paid on loans five to eight, adding interest at 8% simple per annum from the date of payment to the date of settlement
2. HM Revenue & Customs requires Wonga to withhold income tax from that interest. It must give Mr J a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr J's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 6 November 2017.

Emma Boothroyd
ombudsman