

complaint

Mr J complains that WDFC UK Limited (trading as Wonga.com) lent him money when he couldn't afford to repay it.

background

Mr J had 29 loans from Wonga as follows:

| Loan | Date | Amount | Date Repaid | Notes |
|------|-------------|--------|-------------|------------------------|
| 1 | 18 Jun 2013 | £157 | 01 Jul 2013 | |
| 2 | 19 Jul 2013 | £65 | 01 Aug 2013 | |
| 3 | 10 Aug 2013 | £194 | 30 Aug 2013 | |
| 4 | 20 Sep 2013 | £120 | 27 Sep 2013 | |
| 5 | 17 Oct 2013 | £150 | 30 Oct 2013 | |
| 6 | 02 Dec 2013 | £180 | 06 Dec 2013 | |
| 7 | 09 Dec 2013 | £30 | 13 Dec 2013 | |
| 8 | 01 Jan 2014 | £100 | 04 Jan 2014 | |
| 9 | 13 Jan 2014 | £70 | 17 Jan 2014 | |
| 10 | 02 Mar 2014 | £120 | 07 Mar 2014 | |
| 11 | 10 Mar 2014 | £229 | 01 Apr 2014 | |
| 12 | 07 Apr 2014 | £250 | 01 May 2014 | |
| 13 | 06 May 2014 | £80 | 30 May 2014 | |
| 14 | 16 Jun 2014 | £41 | 01 Jul 2014 | |
| 15 | 10 Jul 2014 | £334 | 01 Aug 2014 | Top-ups 12/25 Jul 2014 |
| 16 | 22 Aug 2014 | £411 | 01 Sep 2014 | |
| 17 | 13 Sep 2014 | £180 | 01 Oct 2014 | Top-ups 18/19 Sep 2014 |
| 18 | 07 Oct 2014 | £388 | 02 Nov 2014 | Top-up 16 Oct 2014 |
| 19 | 05 Nov 2014 | £390 | 29 Nov 2014 | Top-ups 13/14 Nov 2014 |
| 20 | 19 Jun 2015 | £119 | 30 Jun 2015 | |
| 21 | 15 Jul 2015 | £160 | 01 Aug 2015 | |
| 22 | 20 Aug 2015 | £124 | 18 Nov 2015 | |
| 23 | 21 Oct 2016 | £150 | 30 Nov 2016 | |
| 24 | 16 Dec 2016 | £135 | 23 Dec 2016 | |
| 25 | 21 Jan 2017 | £92 | 25 Jan 2017 | |
| 26 | 26 Jan 2017 | £146 | 31 Jan 2017 | |
| 27 | 11 Feb 2017 | £210 | 28 Feb 2017 | Top-up 14 Feb 2017 |
| 28 | 14 Apr 2017 | £430 | 28 Apr 2017 | Top-ups 20/22 Apr 2017 |
| 29 | 16 May 2017 | £191 | 31 May 2017 | Top-ups 25/27 May 2017 |

When Mr J complained to Wonga it said that it had checked Mr J's income and his credit file and did not uphold his complaint.

Our adjudicator recommended the complaint should be upheld in part. She was satisfied that Wonga had done enough checks for loans 1-2 and 20-26, but considered it should have asked Mr J for more information before approving the other loans. For loans 3 and 4, our adjudicator thought Wonga should have asked Mr J about his outgoings but found that, had it done so, it would have found the loans to be affordable. For loans 5 and 27, she found Mr J was borrowing regularly from Wonga so she considered he should have been asked whether he was using any other short-term loan providers. But again, she couldn't see that Wonga would have found the loans unaffordable even with these additional checks.

However, for all other loans, our adjudicator considered proportionate checks should have included a full financial review. She found that had Wonga done that it would have found Mr J spent a significant amount of money on gambling and was using short-term loans to subsidise this. As such, she considered Wonga was irresponsible to approve the remaining loans. She recommended it should refund interest and charges on loans 6-19, 28 and 29 (plus 8% interest) and remove any associated adverse information from Mr J's credit file.

Wonga responded to say, in summary, that gambling transactions would not have appeared on Mr J's credit file and it did not find it necessary to check his bank statements. It added that Mr J continues to borrow even though he considers the loans are unaffordable, so it has now marked his account so that he won't be approved for any further loans.

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 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.

Loans 1-2

When Mr J applied for these loans, Wonga had information about his income and credit file. As the repayments were less than £200 and Mr J had told Wonga his monthly income was around £1,400, I don't consider Wonga needed to carry out any further checks before approving these loans.

Loans 3-5

As Mr J was borrowing regularly from Wonga, I think it should have questioned whether he was becoming dependent on the loans and done further checks at this stage. I think proportionate checks should have included asking Mr J about his regular expenditure as a minimum and, by the time he applied for his fifth loan, checks should have included a full financial review. As it is, had Wonga carried out such checks, I'm satisfied it would have still found these loans to be affordable.

Loans 6-19

Mr J applied for these loans in quick succession between December 2013 and November 2014, so I consider proportionate checks should have included a full financial review each time. Had it done so, by, for example, looking at Mr J's bank statements, it would have found Mr J had an escalating gambling issue. He'd spent almost £400 on gambling transactions in November 2013 and more than this amount in March 2014. It would also have found that Mr J's income was significantly less than what he'd told Wonga in early 2014. So I consider it was irresponsible to continue to lend to him as the repayments were unaffordable and the money appeared to be funding the gambling. Mr J continued to spend hundreds of pounds on gambling transactions in 2014 and he was also using other short-term loan providers. I'm satisfied that, if Wonga had carried out a full financial review during this period, it would not have approved any of these loans.

Loans 20-26

Mr J had a break in his borrowing before the 20th loan, and again before loan 23. I consider proportionate checks for those loans should have included asking Mr J about his income and, in some cases, for his regular expenditure. Wonga did such checks for these loans and, given the information Mr J provided, I can understand why it approved those loans without carrying out further checks. Mr J says his income was between £1,500 and £1,800 during that period and the largest repayment was about £200. I can't conclude Wonga was wrong to approve those loans.

Loans 27-29

However, from Mr J's 27th loan onwards he was again developing a pattern of borrowing with Wonga. As such, I consider Wonga should have carried out full financial reviews for the remaining loans. If it had done so, it's likely it would have found Mr J's spending on gambling was continuing, as was his use of other short-term loan providers. Therefore I find it was irresponsible for Wonga to continue lending to him.

my final decision

My decision is that I uphold this complaint. WDFC UK Limited (trading as Wonga.com) should:

- Refund all interest and charges that Mr J paid on loans 6-19 and 27-29;
- 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 above loans from Mr J's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 9 November 2017.

Amanda Williams
ombudsman