

complaint

Mr C complains that WDFC UK Limited (trading as Wonga) gave him loans that he couldn't afford to repay.

background

Mr C first borrowed from Wonga in May 2013 when he was given a loan of £300. He continued to borrow from Wonga until he repaid his final loan in June 2014. Over that 13 month period Mr C was given a total of 17 loans. He needed to rollover one of the loans as he couldn't repay it on time, and took additional borrowing on four of the loans.

Having looked at Mr C's complaint Wonga acknowledged that it shouldn't have lent to Mr C on two of the occasions. And it offered Mr C some compensation. But it didn't think it had done anything wrong on the remaining loans. Mr C didn't accept this offer so he brought his complaint to us.

Mr C's complaint has been assessed by one of our adjudicators. He thought that Wonga had done enough checks on the first two loans, so didn't uphold that part of Mr C's complaint. But he didn't think the checks Wonga had done, from loan three onwards, were enough. And he thought that had Wonga done sufficient checks it would have decided the loans were unaffordable for Mr C. So he recommended the complaint be largely upheld. Wonga doesn't agree with that assessment so has asked, as it is perfectly entitled to, that the complaint be decided by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Wonga was required to lend responsibly. It needed to make checks to see whether Mr C could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr C was borrowing and his lending history, but there was no set list of checks Wonga had to do.

Wonga has told us about the checks that it performed at the time of Mr C's applications. It says that it asked him about his income and normal expenditure. And Wonga has given us the results of the credit checks that it undertook before each application – though these appear to have been less comprehensive from the seventh loan onwards when it seems Wonga changed its processing system.

I think that the checks that Wonga did, taking into account Mr C's particular circumstances, were enough for the first two loans. In particular I've thought about the amounts that Mr C needed to repay, what he'd have told Wonga about his income and normal expenditure, and that he hadn't borrowed from Wonga before. So I don't think Wonga did anything wrong in relation to these loans.

But the amount Mr C needed to repay on his third loan was more than double what he'd repaid on his first loan. And by that time I think a pattern of borrowing had emerged. Mr C had taken both his second and third loans immediately after he'd repaid his previous borrowing.

So I think that these circumstances might have led Wonga to re-assess the information that Mr C had given in support of his applications. And I think the lender might have wanted some further discussions with Mr C in order to reassure itself that he could sustainably repay this lending.

I think that, had it done more thorough checks, Wonga would have discovered what was happening with Mr C's financial situation. By the time he was asking for the third loan, Mr C was gambling heavily. And he had begun to borrow large amounts from a number of other payday lenders. So I think additional enquiries would have made it clear to Wonga that Mr C wasn't in a position to repay the loan without relying on new borrowing and so it wouldn't have lent to him.

And once it had reached that decision, I think that Wonga would have continued to treat any further applications from Mr C with caution. It is fair to say that the amounts he borrowed varied greatly – the biggest loan he took was for £1,000 and the smallest for just £40. And occasionally the gaps between Mr C repaying a loan and asking for his next one were a bit longer.

But throughout this time Mr C's financial situation didn't really improve. By 2014 he appears to have been gambling far less. But he was heavily in his overdraft with his bank, and making a number of loan repayments, no doubt as a result of the problems he'd previously faced. And that meant that each month he was generally spending more than his income.

So taking all this into account I don't think that Wonga should have agreed to give Mr C any loans after, and including, his third loan. And I think that Wonga needs to pay him some compensation.

putting things right

I don't think Wonga should have agreed to lend to Mr C after, and including, the loan he took on 29 June 2013. So for each of these loans Wonga should;

- Refund any interest and charges applied to them.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement.
- Remove any adverse information recorded on Mr C's credit file in relation to the loans I am asking to be refunded.

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

my final decision

My final decision is that I largely uphold Mr C's complaint and direct WDFC UK Limited to pay him compensation as detailed above.

I make no other award against WDFC UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 December 2016.

Paul Reilly
ombudsman