

## **complaint**

Mr H complains that WDFC UK Limited (Wonga) gave him loans he couldn't afford to repay. He also complains about the customer service he received after he complained.

## **background**

Between July 2010 and July 2014, Mr H took out over 30 loans with Wonga. In June 2016, Mr H complained to Wonga about the affordability of the loans. He says he was borrowing increasing amounts on a regular basis. Mr H says, in order to cover his living expenses, he borrowed again immediately after repaying loans.

Wonga said before it approved a loan it carried out a credit reference agency check and combined that with the personal information provided by Mr H. It entered the information into its underwriting system and carried out an assessment of affordability.

Wonga said it had already written off the balance outstanding on Mr H's loan of 8 July 2014. It said it could've done more to assist Mr H in relation to the loan on 9 September 2013, so it offered to refund interest and fees on that loan and pay interest. It also offered to remove that loan from Mr H's credit file.

The adjudicator said the loans made up to and including July 2013 appeared to be affordable. But the loans from 7 August 2013 onwards didn't appear to be affordable. That was because, from that date, the amount Mr H borrowed increased significantly. The repayment took a large proportion of Mr H's monthly income and he was dependent on the loans. The adjudicator thought Wonga should've made additional checks about Mr H's ability to afford the loans from 7 August 2013 onwards.

The adjudicator recommended that Wonga refund interest and charges on the loans Mr H had from 7 August 2013, with interest and remove negative information about those loans from Mr H's credit file. Wonga didn't respond to the adjudicator's view, so the complaint was passed to me.

## **my findings**

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

When lending money to Mr H, Wonga was required to ensure he could repay the borrowing in a sustainable manner, without it adversely affecting his financial situation. A lender should obtain sufficient information to make an informed decision about the lending. It's for the lender to decide how it does this. The guidance and rules list a number of things each lender may wish to consider. Checks should be proportionate, based on the size of the loan. The adjudicator asked Wonga for evidence of the affordability and credit checks it carried out before the loans but he didn't receive that information, so I don't know what Wonga considered before it gave Mr H the loans.

Based on what I've seen, I don't think there was anything to alert Wonga to issues of affordability for the loans taken out up to and including July 2013. The loans were for relatively small, manageable amounts.

The position changed in August 2013. That was when Mr H asked to borrow substantially more than he'd borrowed before. He asked to borrow £500. Repayment amounted to a large proportion of his monthly income. I don't think Mr H could repay that amount without having difficulty meeting his day-to-day expenses. From August 2013, Mr H took out a new loan shortly after he'd repaid a previous loan. That was an indication that he relied on these loans for more than short-term borrowing.

I think that from August 2013, the circumstances should've prompted Wonga to carry out additional checks to establish whether Mr H could afford to repay the borrowing in a sustainable manner. I think if it had carried out those checks, it would've concluded, as I have, that he couldn't afford to repay further borrowing.

I've looked at Mr H's bank statements, which show that he frequently exceeded his agreed overdraft limit. For part of the period, he was spending considerable sums he didn't have on gambling.

I think if Wonga had carried out proportionate checks from August 2013, it may have seen that Mr H couldn't afford to repay further borrowing. I think a fair outcome here is for Wonga to refund interest and charges not already refunded on the loans Mr H took out from 7 August 2013 onwards. It should also pay interest and remove those loans from Mr H's credit file.

Mr H complained to Wonga in mid June 2016 but didn't receive a substantive response until late September 2016. There was some delay in Wonga responding to Mr H's complaint but I think that the compensation I've referred to above is fair and sufficient in this case and I don't require Wonga to pay any more.

### **my final decision**

I uphold Mr H's complaint and direct WDFC UK Limited (Wonga) to;

- refund to Mr H the interest and charges he paid on the loans he took out with it from 7 August 2013 onwards, which it has not already refunded;
- pay interest of 8% simple each year, to each of the refunded amounts, from the date they were paid to the date of settlement and;
- remove any adverse information it recorded on Mr H's credit file about those loans.

If Wonga considers it has to deduct tax from the interest element of my award, it should send Mr H the appropriate tax certificate when it pays him. He can then use that certificate to try to reclaim the tax, if he's entitled to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 March 2017.

Louise Povey  
**ombudsman**