

complaint

Mr A complains that WDFC UK Limited (trading as Wonga) lent money to him that he could not afford to repay.

background

Mr A entered into 25 loans with Wonga between June 2011 and January 2014.

Mr A says that he needed to borrow because he did not have enough money to live on. He says that his financial situation was made worse by the number of loans Wonga provided him and that the loans were unaffordable.

Wonga says that before it lent to Mr A it gathered information about his salary and other relevant factors. It says it was reasonable that it relied on the information Mr A provided. It says it also carried out a credit check and based on its affordability checks the loans were provided.

Wonga says that Mr A did not contact it about any financial difficulties until his loan taken out in August 2012 at which point it reviewed his circumstances and set up a repayment plan. It offered to refund the interest and charges on this loan. It also noted that Mr A's final loan had been assessed under its affordability forbearance programme and as a result his balance was written off and all records of the loan were removed from Mr A's credit file.

Our adjudicator upheld this complaint. She said that given the size of the loans compared to Mr A's income further checks should have been carried out before providing the first and second loans. She said that Mr A should have been asked about his regular outgoings to ensure the loans were affordable. Our adjudicator found that had this information been received these loans would still have been considered affordable.

Before loan three and subsequent loans were provided, our adjudicator thought a full review of Mr A's financial situation should have happened. Had this taken place Wonga would have seen Mr A was spending more than his income each month. Because of this she recommended that Wonga refund the interest and charges on loan three and all subsequent loans (including the top ups).

Wonga did not accept our adjudicator's view. It said that it was reasonable that it relied on the checks it carried out with the credit reference agencies (CRAs) which did not raise concerns. It said it wasn't required to look through Mr A's bank statements. It also noted that Mr A had enough disposable income but that he used this for gambling. It said that all of Mr A's loans apart from two were repaid in full and on time.

Wonga did say that Mr A had fallen into arrears and that because of this further checks should have been carried out before further loans were provided. Because of this it offered to refund the interest and charges on loans 17 to 25.

my findings

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

Mr A took out 25 loans with Wonga between 2011 and 2014. Before agreeing to lend to Mr A, Wonga had to make sure that he could afford to repay the loans. Affordability checks should be proportionate. What is proportionate depends on things like - but is not limited to - the size of the loan, the repayments, what Wonga knew about Mr A, and what he told it about his circumstances.

Mr A took out his first loan with Wonga in June 2011. This was for £200. Before providing the loan Wonga carried out a credit check and asked for information about Mr A's salary as well as other factors. I have looked at the information provided and I accept that the credit check information received would not have raised concerns that would have required further checks to be carried out.

However, although Mr A was in full time employment his recorded monthly income was £650. Given the loan was a significant portion of this amount I think it reasonable that Wonga should have asked Mr A about his regular living expenses including all his financial commitments.

Mr A took out his second loan a couple of weeks after repaying his first. This was for £150. Again, given the size of the loan compared to Mr A's income and also given this was the second loan in a short period of time, I think a check of Mr A's regular expenses and financial commitments should have taken place.

Mr A took out his third loan shortly after repaying his second loan. I think at this point Wonga should have been concerned about Mr A's pattern of borrowing. Mr A topped up this loan with a further £100. Although Mr A's income had increased at this time to £750 each month I think the size of the loan combined with Mr A's pattern of lending should have resulted in further checks. At this stage I think a thorough review of Mr A's financial circumstances should have been carried out to check how affordable the loan was.

Because I think that further checks should have been carried out before the loans were provided, I have looked at what information Wonga would have received had these checks taken place.

Wonga has offered to refund the interest and charges on loan 17 and subsequent loans and has said that the final loan has been written off. I have looked at the information provided in regard to these loans and I find this reasonable and so I have not considered these loans any further.

In regard to loans one and two I think that Wonga should have asked Mr A about his regular expenses including his financial commitments. Had it done this it would have seen that Mr A's expenses were relatively low and did leave Mr A with a disposable income that seemed sufficient to meet his repayments. Therefore I do not find that Wonga is required to do anything further in regard to these two loans.

However, before loan three and the subsequent loans I think a review of Mr A's financial situation should have happened. Had this taken place, Wonga would have seen that Mr A was regularly spending more than he was earning and so did not have the money available to make his repayments. He was borrowing from other sources to meet his costs. A review would have also shown that Mr A was gambling during the period. I think that had a full review been carried out by Wonga at the time of the third loan it would have realised that lending to Mr A was not sustainable.

my final decision

My final decision is that I uphold this complaint. WDFC UK Limited should:

1. refund all interest and charges that Mr A paid on loan 3 and subsequent loans including the top ups;
2. pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
3. remove any negative information about loan 3 to 25 from his credit file.

*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr A 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 A to accept or reject my decision before 3 November 2017.

Jane Archer
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