

complaint

Mr N complains that WDFC UK Limited (trading as wonga.com) gave him unaffordable payday loans. He wants a refund of the interest and charges he paid.

background

Mr N had 15 loans from Wonga between September 2011 and September 2013. He said proper checks would have shown that he couldn't afford them and they made his financial position worse. Wonga said its checks had shown that Mr N could afford the loans. There were breaks between them and he'd repaid them all on time.

Our adjudicator recommended that the complaint should be upheld in part. He thought Wonga's affordability checks hadn't been sufficient for some of Mr N's loans, those taken between May and December 2012. So he thought it should refund interest and charges for these, with interest, and remove them from Mr N's credit file.

Wonga replied that its checks had been adequate.

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 N's first loan was for £189.98 (with interest added). He repaid this and then borrowed £189.24. Just over four months after this was repaid, he took out loan three for £208.39. Then he borrowed monthly for the next nine months. The amounts ranged between £92.41 and £359.74. After a six month gap, Mr N borrowed £203.20, £93.20 and then £51.87 in quick succession. He repaid all his loans without incurring late fees.

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

Wonga asked Mr N for his monthly income after tax. This was £1,400 for all his loans. It said it asked him for his expenditure when he applied for his first loan, but it can't show what this was. It also made credit checks, but I can't see what these found.

I agree that Wonga's checks on Mr N's first four loans were proportionate and sufficient. They were relatively small compared to his stated income. It said it looked at his expenditure and this included his regular commitments. I can't see what Wonga's checks on these found, so I've looked at Mr N's bank statements from the time for this information. I can't see that Wonga's checks would have stopped it from lending to Mr N at this time. So I can't say it was wrong for Wonga to lend loans one to four.

By loan five, in May 2012, Mr N had been borrowing for eight months with only one significant gap. The amount he was expected to repay for loan five was almost £300. I think Wonga should have been prompted by this to ask questions about Mr N's circumstances to make sure that he could afford to repay his loans and wasn't dependent on payday lending. But I can't see that it did this.

I've looked at Mr N's bank statements from the time to get this information, but Wonga could easily have asked Mr N for it. These show that Mr N had a gambling habit that accounted for much of his disposable income. I think a responsible lender, having seen this, would have declined further loans. This pattern continued until December 2012.

So I think Wonga's checks on Mr N's loans between May and December 2012 were insufficient. If it had made enough checks it would have seen, as I have, that it would be irresponsible for it to lend to Mr N. So I think it was wrong for it to approve these loans.

There was then a gap of almost six months in Mr N's borrowing. So I think Wonga could reasonably regard his next application afresh rather than as part of a sequence and make checks appropriately. I think its checks were proportionate and sufficient for these three smaller loans. They looked affordable. So I can't say it was wrong for Wonga to approve them.

my final decision

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

1. Refund Mr N the interest and charges he paid on his loans taken between May and December 2012, 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 N 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 N's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 17 June 2017.

Phillip Berechree
ombudsman