

complaint

Mrs K complains that her loans with WDFC UK Limited (trading as wonga.com) ('Wonga') were unaffordable and were mis-sold to her.

background

Mrs K took out a large number of loans with Wonga from July 2010 to January 2012 – starting with £200. The total loans finally exceeded £11,000. Mrs K states that she used other loans to repay these loans, she had mental health issues (of which Wonga was unaware) and she had a number of defaults on her credit file. She says that it was irresponsible of Wonga to have made these loans.

Wonga says that it was unaware of defaults on Mrs K's credit file, it was not obliged to consider every aspect of Mrs K's income and expenditure and it was Mrs K's responsibility to take responsibility for her circumstances.

The adjudicator recommended that Mrs K should repay the capital of her loans, but Wonga should refund her payments made to date, with 8% simple interest, less the actual loans; amend her credit file to show the loans as 'satisfied'; and pay her £250 for distress and inconvenience ('D & I').

Wonga did not accept this recommendation, as it carried out a reasonable assessment in accordance with the OFT (Office for Fair Trading) Guidance; creditworthiness was only introduced in February 2011 under the Consumer Credit Act 1974; Mrs K was obliged to carry out her own assessment of affordability; and Mrs K did not tell it of her financial difficulties. However, as Mrs K was making modest payments, it was prepared to write off her current loan to the value of £1,169.71.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I accept the respective responsibilities of both parties before these loans were taken out. There is some evidence that Mrs K exaggerated her earnings and had not properly assessed her own ability to pay, taking into account her income and expenditure. It also appears that she suffered ill health in 2009, which may have affected her judgment.

On the other hand, it is unclear why Wonga – through its own formal searches - did not better assess Mrs K's income and note her considerable existing loans (with other lenders) and the default exceeding £20,000 in 2008/9 before agreeing to make the initial loan in July 2010. I can only conclude that its enquiries were inadequate and that it has provided irresponsible lending to Mrs K. I note that it has now made a marker on her account that no further loans should be considered.

Therefore, I agree with the adjudicator's recommendations.

my final decision

My final decision is that WDFC UK Limited (trading as wonga.com) should:

- (1) refund Mrs K's payments to date (plus 8% simple interest), less loans made.
- (2) provide a tax deduction certificate from the interest for Mrs K, if it considers that tax should be deducted.
- (3) mark the loans as 'satisfied'.
- (4) pay £250 for D & I to Mrs K.

Charles Sweet
ombudsman