

complaint

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

background

Mr F took out 23 loans with Wonga between June 2013 and May 2017.

A table of Mr F's loans with Wonga is set out below.

Loan	Date	Amount (£)
1	June 2013	100
2	July 2014	188
3	August 2014	400
4	August 2014	189
5	October 2014	400
6	October 2014	392
7	November 2014	400
8	December 2014	400
9	January 2015	400
10	February 2015	400
11	September 2015	200
12	October 2015	500
13	December 2015	250
14	January 2016	120
15	February 2016	60
16	March 2016	200
17	April 2016	220
18	May 2016	400
19	May 2016	778
20	September 2016	778
21	November 2016	330
22	April 2017	832
23	May 2017	832

Note loans 19 to 23 were payable over three monthly instalments

Mr F says that at the time of the loans he had other credit commitments including other payday loans. He says that he had to take out new loans to repay his existing ones and that had Wonga asked to see his bank statements it would have seen he had a gambling issue.

Wonga says that before lending to Mr F it asked for information on his income, employment, and home ownership among other things and it carried out a credit check. It says it was reasonable that it relied on the information Mr F provided. It says that Mr F did not tell it at the time of the loans that he was in financial difficulty.

Our adjudicator upheld some of this complaint. She thought that the checks carried out before loans one, two and eleven were provided were sufficient however she did not think the checks before the other loans went far enough. Based on further checks she said certain loans should not have been provided. She recommended that the interest and charges on the loan 3 top-up loan to loan 10, loan 12 and loans 14 to 23 be refunded.

Wonga did not accept our adjudicator's view. It said that the adjudicator's findings showed that loans three to eight were affordable. It did not accept that it should have carried out a full review of Mr F's financial circumstances and it did not think it was clear from the adjudicator's findings when Mr F spent money on gambling. It said it was entitled to rely on the information Mr F provided and that from end 2015 its application form required customers to provide information on their monthly expenditure. It also noted that loans 19 to 23 were flexi-loans.

Wonga only accepted that the interest and charges should be refunded on loan 12.

Mr F did not accept Wonga's offer.

my provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- the checks carried out before the first loan was provided were sufficient;
- there was a significant break between the first and second loans and so I considered the second loan the first of a new lending chain;
- the checks carried out before the second loan (first of the new lending chain) were sufficient;
- further checks should have been carried out before loans three to ten were provided;
- there was break between loans 10 and 11 and so it was reasonable that loan 11 was considered part of a new lending chain;
- the checks carried out before loan 11 was provided were proportionate but further checks should have been carried out before the subsequent loans were provided;
- had further checks regarding Mr F's income and expenditure including credit commitments been undertaken before loans three and four were provided, Wonga would not have found these loans unaffordable,
- had a full review been carried out on Mr F's financial circumstances Wonga would have realised that loans five to ten were not sustainable;
- Wonga offered to refund the interest and charges on loan 12 and given its comments about this I found this reasonable;
- I found that loan 13 could have been viewed as affordable based on the information I thought should have been gathered at this time;
- if a full review of Mr F's financial circumstances had been carried out before loan 14 was provided Wonga would have realised that loan 14 and all subsequent loans were unsustainable;
- I noted Wonga's comments about loans 19 to 23 being instalment loans but still found that Wonga should have realised based on Mr F's income and outgoings that these loans were not sustainable.

Mr F accepted my provisional decision.

Wonga said that it was reasonable that it relied on the information Mr F provided to it. It said that the loans provided after it collected information about Mr F's expenses should be considered to have been appropriately lent. It said it should not be penalised because Mr F did not provide it with the correct information.

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 understand the comments Wonga has made about the information provided by Mr F and I note that it did collect information about his expenses for the later loans. However, I find that given the pattern of Mr F's lending Wonga should have carried out further checks before continuing to lend to him.

Had Wonga carried out a full review of Mr F's financial circumstances it would have realised that he was making frequent use of other short term lenders and spending on gambling. Had it gathered this information I find it would have realised that lending to Mr F was not sustainable.

As I did not receive any new information in response to my provisional decision I still find that Wonga should refund the interest and charges on loans five to ten; loan 12 and loans 14 to 23.

my final decision

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

- refund all interest and charges that Mr F paid loans five to ten; loan 12 and loans 14 to 23;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- write off any unpaid interest and charges of loan 23, apply the refund to reduce any capital outstanding and pay any balance to Mr F;
- remove any negative information about the above loans from Mr F's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 5 January 2018.

Jane Archer
ombudsman