

complaint

Mr L says WDFC UK Limited trading as wonga.com gave him loans he couldn't afford to repay.

background

Between March 2014 and November 2016, Mr L took out 20 loans with Wonga. He doesn't think it should've agreed to lend to him.

The adjudicator recommended that Mr L's complaint be upheld in part. She thought Wonga's checks went far enough before agreeing loans one and two but not for any of the remaining loans.

The adjudicator said the repayment on the third loan represented more than 40% of Mr L's stated monthly income. She thought this should've prompted Wonga to find out about Mr L's income and expenses, including any other short term loans. And she thought it was reasonable to have expected Wonga to check the information suggesting one of the easiest ways of doing this would've been to look at his bank statements.

If Wonga had asked to see Mr L's bank statements, it would've seen he was gambling regularly and spending much of his income on it. Mr L was also borrowing from a number of other short term lenders.

The adjudicator recommended that Wonga refund all interest and charges Mr L paid on loans 3 to 20 and pay interest on the refund. She said Wonga could apply the refund against any outstanding capital balance on the final loan. And she asked Wonga to remove any negative information about the loans.

Wonga didn't agree with everything the adjudicator recommended. It didn't consider loans 7 to 11, 15 to 18 and 20 were unaffordable as the amounts borrowed were low in relation to Mr L's monthly income. It also said loans 15, 16 and 20 were instalment loans to be repaid over three months, making them more affordable.

Wonga said it was entitled to rely on the income figure Mr L gave together with the credit checks it carried out. And Mr L didn't make it aware of any financial difficulties.

Wonga offered to refund interest on loans 3 to 6, 12 to 14 and 19 as the amounts borrowed were higher. Wonga said it would apply the refund to any outstanding balance on the final loan.

Mr L wasn't willing to accept this offer, so the complaint has come 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. Having done so, I agree with the conclusions of the adjudicator.

Wonga was required to lend responsibly. It needed to carry out checks to see whether Mr L could afford to pay back each loan before it lent to him. These checks needed to be

proportionate to things such as the amount of the loan and repayments and any borrowing history. But there wasn't a set list of checks Wonga had to do.

No.	Date of Loan	Amount of loan	Top up?	Total repaid	Date repaid	Offer to refund?
1	23/03/2014	£100		£109.72	27/03/2014	
2	22/04/2014	£60		£66.81	24/04/2014	
3	09/05/2014	£300	£100	£485.82	29/05/2014	Y
4	13/09/2014	£400		£458.22	26/09/2014	Y
5	04/10/2014	£200	£102	£398.30	31/10/2014	Y
6	10/12/2014	£200	£159	£402.48	21/12/2014	Y
7	20/02/2015	£120		£153.60	27/03/2015	
8	17/04/2015	£150		£165.60	30/04/2015	
9	13/05/2015	£200		£224.00	28/05/2015	
10	08/06/2015	£100		£105.60	15/06/2015	
11	25/07/2015	£250		£316.00	27/08/2015	
12	02/09/2015	£350	£25	£434.20	23/09/2015	Y
13	11/12/2015	£200	£170	£396.96	24/12/2015	Y
14	07/03/2016	£150	£250	£471.60	30/03/2016	Y
15	01/04/2016	£450		£714.32	18/06/2016	
16	16/07/2016	£200		£208.00	22/07/2016	
17	25/09/2016	£100		£103.20	29/09/2016	
18	09/10/2016	£140		£159.04	26/10/2016	
19	09/11/2016	£200	£237	£472.88	23/11/2016	Y
20	27/11/2016	£562		£524.99		

loans one and two

Wonga asked Mr L about his monthly salary. As the first loan was for £100 and the second £60 I wouldn't have expected it to do more than this. Wonga recorded a monthly salary of £1,100 so it seemed reasonable to agree to lend on these occasions.

loans three to six, 12 to 14 and 19

Wonga has already offered to refund all interest and charges paid on these loans and pay interest on the refund. And it's agreed to remove any negative information about the loans from Mr L's credit file. It doesn't seem to me that loans three to six, 12 to 14 and 19 are still in dispute so I don't feel I need to say anything further about them.

As Wonga doesn't agree that certain other loans weren't affordable, I will focus on those in my decision.

loans 7 to 11, 15 to 19 and 20

By this time, Mr L had been borrowing money from Wonga almost every month. And he was also topping up some of the loans. I think this should've prompted Wonga to have concerns over whether Mr L might be using the loans for everyday outgoings rather than one-off expenses. I don't

The fact that some of the amounts Mr L borrowed appeared low or that he managed to repay them on time and in full, doesn't necessarily mean they were affordable to him. Or that he managed to repay them in a sustainable way.

I don't think it was reasonable of Wonga to rely on the income figure Mr L gave and its own credit checks at this point. Wonga should've been trying to get the fullest financial picture possible. It could've done this in a variety of ways such as asking to see bills, receipts or possibly bank statements.

Although I don't think Wonga carried out enough checks before agreeing to lend to Mr L, this doesn't necessarily mean that I should uphold his complaint along the lines recommended by the adjudicator. I'd need to be persuaded that more proportionate checks would've shown Mr L couldn't afford the loans from Wonga. So I've looked at Mr L's bank statements and considered what he's told us about his financial situation to see what better checks would've shown.

I don't think Mr L was managing his money particularly well. He was spending increasing amounts gambling online, often on a daily basis. And Mr L was borrowing from Wonga and other short term lenders to help fund his gambling, as well as his everyday living costs and debt repayments. He didn't have enough disposable income to afford any of the loan repayments to Wonga, including the instalment loans that it mentioned.

If Wonga had carried out what I consider to have been proportionate checks, it would've realised this. And as a responsible lender, I don't think it would've agreed to give Mr L loans 2 to 20 for the reasons above. So it should pay him compensation.

As Mr L had the benefit of the money lent to him, it's fair that he repays any outstanding principal balance due on the final loan. Wonga can apply the refund to this outstanding balance. But it must recalculate the balance to remove any interest and charges but taking account of any repayments Mr L made on the final loan as though they were applied against the principal sum borrowed.

putting things right

To put things right Wonga should:

- refund all interest and charges that Mr L paid on loans 2 – 20;
- pay interest on those refunds at 8% simple* per year from the dates of payment to the date of settlement;
- write off any interest and charges that haven't yet been paid;
- apply the refund to any outstanding principal balance before paying any remaining balance to Mr L; and
- remove any negative information about the loans referred to in the first bullet point above from Mr L's credit file.

* HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr L a certificate showing how much tax it's taken off if he asks for one.

my final decision

My decision is that I uphold this complaint in part. I require WDFC UK Limited trading as wonga.com to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 23 October 2017.

Gemma Bowen
ombudsman