

complaint

Mr D complains that WDFC UK Limited (trading as Wonga.com) recorded a default on his credit file and his payday loans weren't affordable.

background

Mr D took out numerous payday loans with Wonga. He says they weren't affordable and he wants the interest and charges he's paid refunded. The last loan was sold onto a third party and the amount owing has risen to such a large amount that he stopped paying towards it. He's unhappy that a default has been registered on his credit file. He says it's seriously affecting his ability to get a mortgage. He wants it removed. Wonga's also not dealt with his complaint.

Wonga accepts it should've been aware of affordability issues from the activity on Mr D's eighteenth loan. It should've taken account of the previous repayment plans, sequential borrowing and increase in loan amount before accepting the subsequent loans. It has offered a refund of interest and charges on the eighteenth loan onwards. But the interest and charges on the last loan aren't included as the debt was written off. Mr D only repaid £524.34 towards the last loan having borrowed £1,000. So, its offer is to refund £1,050.48.

Mr D didn't think this was fair as he says he still owes money on the last loan. Although Wonga says it was written off it was actually sold to a debt management company. There are very high interest and charges on it and he still owes around £2,000.

Our adjudicator recommended that this complaint should be upheld. He considered that:

- Wonga's records show details of 14 loans taken out by Mr D. There were gaps between the early loans. But, with one exception, a loan was taken out every month from September 2010 to December 2012. The loans were also increasing in amount.
- There were clear signs of financial difficulty. Wonga should've known on the tenth loan in November 2010 that Mr D had problems. It was the third loan in a row. But Wonga continued to approve the loans until December 2012.
- So, Wonga should refund the interest and charges from this tenth loan onwards plus pay interest. Mr D's credit file should also be revised to remove the tenth and later loans.
- If the loan still remains Wonga should buy the debt back from the debt management company and refund the interest and charges on it as well.

Mr D says Wonga has confirmed that it's bought back the last loan from the debt management company and written it off. He remains concerned about the interest and charges applied on it. He says the debt management company has also refused to remove reference to it from his credit file.

my findings

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

Whatever level of checks, if any, Wonga carried out at the time of each loan application I think Mr D's account history should've alerted it to the fact that he may have been in financial difficulty, the loans may have been unaffordable and he was reliant on short term lending.

I agree with the adjudicator that it would've been reasonable for Wonga to have reached this conclusion – at latest – in November 2010 when granting the tenth loan. Had it done so it would've been appropriate for it to have asked for more information from him and carried out more thorough affordability checks. I think that would most likely have led it to conclude that he was by that time in financial difficulties, the loans were unaffordable and he was reliant on short term lending. As a result the tenth and later loans would've, most likely, not been granted. Consequently, I think that the lending on and after November 2010 was irresponsible.

Overall, I agree with the adjudicator that it's a fair and reasonable resolution of this complaint for Wonga to refund to Mr D all the interest and charges he's paid on the tenth and later loans plus interest on these payments at the rate of 8% a year from the date they were paid until the date of settlement.

Mr D's debt on the last loan was sold by Wonga to a debt management company but I note it's bought it back and written it off. Wonga says that Mr D actually only repaid £524.34 towards the last loan of £1,000 and in writing off the debt it's therefore written off £475.66 of the money he borrowed. It's said it would therefore deduct this amount from its proposed settlement. But I don't think that's fair.

When buying back the debt and then writing it off Wonga was exercising its commercial judgement as it's entitled to do. But as the debt has been written off Mr D no longer owes any money to either the debt management company or Wonga. So, I don't think it's fair or reasonable for Wonga to now try to recover from Mr D any amount it's already written off. For the avoidance of any doubt, I don't think Wonga should deduct £475.66 from the redress I have awarded.

As the tenth and later loans shouldn't have been granted I think it's reasonable for Wonga to remove all information about them from Mr D's credit file. I can't require the debt management company to remove information from Mr D's credit file as it's not a party to this complaint. But, if Wonga can't remove all the relevant entries, it should contact the debt management company and ask it to remove any relevant entries it made.

I also think Mr D has been caused some trouble and upset by Wonga's handling of his loans and this complaint. I think this warrants a payment of compensation. Taking account of the circumstances and the level of awards we make I think £100 is fair and reasonable.

my final decision

My decision is that I uphold this complaint and I require WDFC UK Limited (trading as Wonga.com):

1. To refund to Mr D all interest and charges he's paid from November 2010 on the tenth and later loans plus pay simple interest on each sum at the rate of 8% a year from the date each was paid until the date of settlement;
2. To remove any information on Mr D's credit file relating to the tenth and later loans taken out from November 2010; and

3. To pay Mr D £100 compensation for the trouble, upset and inconvenience he's been caused.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 2 October 2015.

Stephen Cooper
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