

## **complaint**

Mr R complains that WDFC UK Limited (trading as Wonga) gave him loans he couldn't afford to repay. He asks that it refunds interest and charges and pays compensation.

## **background**

Mr R took out 16 loans with Wonga between March 2012 and April 2013 for amounts between £20 and £400. The loans were repaid early or on time. Mr R says it was irresponsible for Wonga to offer the loans.

The adjudicator recommended that the complaint should be upheld, saying:

- Wonga said it checked Mr R's income, his employment and did a credit check before it offered each loan. Mr R said he was employed with a monthly income of £1,100.
- Loans one to three: The amounts of the loans (£50 or less) were small relative to Mr R's stated income. The results of the credit checks didn't suggest more checks were needed. The checks made by Wonga before it offered the first three loans were proportionate.
- Loan four: Mr R applied for the fourth loan shortly after repaying the third loan and the amount he applied for increased to £100. This suggests he might have been relying on short term lending. Wonga should have asked for more information about Mr R's normal living costs, financial commitments and other short term loans.
- Loan five onwards: Mr R applied for the fifth loan the day after repaying the fourth loan. This pattern of borrowing suggests he was relying on short term loans. The results of the credit check showed five defaults and delinquent accounts. Wonga should have asked for more information to assess whether the loans were affordable. Mr R continued to take out loans sequentially and the loan amounts increased.
- If Wonga had made proper checks before offering loan four, it would have seen that Mr R didn't have enough income to meet his normal living expenses and financial commitments and repay the loan. During the period that he took out loans five to nine, Mr R's normal living expenses and financial commitments exceeded his monthly income. He was also spending on online gambling. His situation hadn't improved when he took out the tenth and later loans. The loans weren't affordable.

The adjudicator said Wonga should refund interest and charges, plus 8% interest, on the fourth and later loans, and remove negative information about these loans from Mr R's credit file.

Wonga didn't agree, saying there was nothing to suggest it shouldn't have lent to Mr R. It said Mr R had taken the loans out for short periods and repaid them on time. The loans were not sequential after loan 5 and amounts didn't increase. Mr R didn't tell it that he had financial difficulties or problems with gambling.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other

words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr R applied for a £30 loan in March 2012. He told Wonga he was employed and his monthly income was £1,100. Wonga did a credit check. I think, given the amount of the loan relative to Mr R's income, these checks were proportionate. Mr R applied for a two loans in April 2012, for £50 and £20. Again, given the amounts of these loans relative to Mr R's income, I think the checks made by Wonga were proportionate. I don't think the results of the credit checks should have prompted Wonga to make further checks.

Mr R applied for a fourth loan in April 2012. This was the fourth loan he'd taken out in less than two months and the amount requested was more than the previous loans. I think this pattern of borrowing should have prompted Wonga to ask about Mr R's outgoings. Mr R applied for the fifth loan the day after repaying the fourth loan. While Wonga says Mr R's borrowing from loan five onwards wasn't sequential, most of the loans were taken out within about two weeks of the previous loan. I don't think the two larger gaps – of about three months – were sufficient to say there wasn't a pattern of sequential borrowing.

I think Wonga should have asked for more information about Mr R's outgoings in April 2012, before offering loan four. Had it done so, it would have seen that after repaying the loan and meeting his usual monthly outgoings (rent, utilities, TV licence and communications, insurance, credit cards and opticians) Mr R would have been left with less than £85 for food and travel for him and his family for the month. Loan four wasn't affordable.

In mid 2012 Mr R's normal living expenses and financial commitments exceeded his monthly income. His bank statements show payments for online gambling. Mr R's situation didn't improve during the period that he took out the fifth and later loans. The loans were not affordable and Wonga would have known this if it had carried out proportionate checks.

I think it's fair and reasonable that Wonga refunds any interest and charges applied to the fourth and later loans, with interest at 8% simple per year. It should deduct the refund from any capital outstanding and pay Mr R any balance.

If an unpaid balance remains after the refund, Mr R should repay this as he's had use of the money. If his financial circumstances make this difficult, he should contact Wonga about agreeing a suitable repayment plan. Wonga should remove any adverse information about the fourth and later loans from Mr R's credit file.

### **my final decision**

My decision is that I uphold this complaint. I order WDFC UK Limited to:

- refund all interest and charges applied to the fourth and later loans plus pay interest at 8% simple per year from the date each sum was paid until the date of settlement. This should be offset against any outstanding capital sum; and
- remove any adverse information about the fourth and later loans from Mr R's credit files.

WDFC UK Limited must pay the compensation within 28 days of the date on which we tell it Mr R accepts my final decision.

If WDFC UK Limited considers that it's required by HM Revenue & Customs to withhold income tax from the 8% interest, it should tell Mr R how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 June 2017.

Ruth Stevenson  
**ombudsman**