

## **complaint**

Mr B complains that WDFC UK Limited (trading as Wonga) gave him loans that he couldn't afford.

## **background**

Mr B took out seven loans with Wonga between December 2015 and March 2017. The amounts he borrowed varied from £100 to £500, plus interest.

Mr B says that Wonga was irresponsible when it lent to him because he couldn't afford to pay it back.

Our adjudicator recommended that the complaint should be upheld in part. In brief, he thought the checks Wonga had carried out before making the first loan went far enough given the amount borrowed and Mr B's declared income.

But the adjudicator thought that if Wonga had carried out proportionate checks for later loans, it would have realised that his existing financial commitments meant that all the loans taken out after the first loan were unaffordable for Mr B. So he recommended that it refund all interest and charges that Mr B paid on those loans, with interest on the refund, and that it remove any negative information about those loans from Mr B's credit file.

Wonga didn't agree with the adjudicator's view and said in summary that the checks it carried out were proportionate. It didn't have to get detailed information about Mr B's expenditure and it was entitled to rely on what he said about his ability to make the repayments. It said there was nothing to suggest that Mr B was in difficulty or reliant on the loans until much later but it did agree to refund all interest and charges on loans 6 and 7. Mr B didn't accept that offer and the complaint has been passed to me to decide.

## **my findings**

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

Wonga was required to lend responsibly. It needed to make checks to see whether Mr B could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr B was borrowing, the length of the agreements and his borrowing history. But there was no set list of checks Wonga had to do.

Before it lent, Wonga carried out a credit check, and asked Mr B for details of his income. He told it he earned £1444 per month. The first loan was for £100. Given that this was a small proportion of Mr B's stated monthly income, I don't think it was unreasonable of Wonga to make the loan without carrying out more detailed checks. This loan was repaid in full and on time on 30 December 2015.

Only 2 days later on 1 January 2016 Mr B applied for a loan of £400. The total repayment due, including interest, was £489.60. Taking everything into account, I think that Wonga should have asked Mr B for details of his normal monthly living costs and regular financial commitments, to ensure that he'd be able to afford the second loan. If it had done so, I agree with the adjudicator that it would have concluded that this loan was unaffordable for Mr B because he didn't have enough disposable income to pay it back sustainably once his monthly living costs and other commitments were paid.

By the time Mr B applied for the third loan of £415 the day after loan two was repaid, I think a pattern was beginning to emerge. And this ought to have prompted Wonga to look more carefully at his circumstances before agreeing to lend further. This was the third loan in a six week period. By this stage, I think Wonga should have asked more detailed questions to establish why Mr B had to borrow repeatedly. As a minimum, I think it should have asked Mr B for details of his normal monthly living costs and regular financial commitments, but I also think it should have asked him specifically about any other short-term loans he had. I have reviewed Mr B's bank statements and I am satisfied that this loan was unaffordable for him looking at his other financial commitments.

By the time of the fourth loan onwards I think that Wonga should have been getting a detailed picture of Mr B's finances and not just relying on what he said. By this point there is a pattern of sequential borrowing which indicates a reliance on short term credit. I'm satisfied that if Wonga had asked suitably detailed questions about Mr B's financial circumstances before making the fourth and subsequent loans, it would have realised that he had minimal disposable income, after his normal monthly living expenses and existing loan repayments were taken into account and he was also gambling. So he wouldn't be able to afford to repay these loans in a sustainable way without borrowing further. In the circumstances, I don't think Wonga should have made this fourth loan or any of the following loans.

I've looked at Mr B's bank statements for the period in which he was borrowing from Wonga. They show no material improvement in his financial circumstances. In many months he was borrowing significant amounts from other short-term lenders, in addition to making repayments on longer-term financial commitments.

As it received repeated applications from Mr B, I think the onus on Wonga to carry out more detailed checks became greater. And I'm satisfied that if it had asked Mr B about his monthly expenditure and other outgoings and credit, it would have realised that he was trapped in a spiral of borrowing, and was only managing to meet his repayments by taking out multiple loans. Wonga should have realised that this was unsustainable, and that Mr B wasn't in a position to service his debt. So I think it was irresponsible to lend all the loans after the first one.

Mr B has had the benefit of the money so I think it is only fair that he pays it back. Wonga should refund all interest and charges on all the loans except loan one and remove any adverse information from Mr B's credit file about these loans.

### **putting things right**

To put things right WDFC UK Limited (trading as Wonga) should:

- refund all interest and charges that Mr B paid on all the loans except loan 1;
- 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; and
- remove any adverse information about the refunded loans from Mr B's credit file.

\*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr B 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) to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 December 2017.

Emma Boothroyd  
**ombudsman**