

complaint

Miss K complains that WDFC UK Limited (trading as Wonga.com) lent to her irresponsibly

background

I issued a provisional decision on 7 November 2016, which is below and forms part of this final decision.

In summary I said that Wonga should've realised that the loans granted from 17 February 2011 were unaffordable. To resolve the complaint I said that Wonga should refund all interest and charges paid on loans granted on and after 17 February 2011, with interest. I also said that Wonga should remove these loans from Miss K's credit file.

I gave both parties a chance to come back to me, Wonga and Miss K agreed with my provisional decision.

my findings

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

Wonga and Miss K agree with my provisional decision and I have no reason to change my decision. So I think that Wonga should refund all interest and charges it has applied to the loans granted from 17 February 2011 onwards, with interest. It should also remove these loans from Miss K's credit file.

my final decision

To resolve the complaint WDFC UK Limited (trading as Wonga.com) should;

- refund Miss K all interest and charges paid on the loans granted from 17 February 2011 to 6 November 2012; adding 8% simple interest per year from the date each payment was made until the payment is refunded.
- remove any information it has recorded about the loans granted from 17 February 2011 to 6 November 2012, from Miss K's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 16 December 2016.

Karen Dennis-Barry

ombudsman

Copy of Provisional decision

complaint

Miss K complains that WDFC UK Limited (trading as wonga.com) irresponsibly gave her loans she couldn't afford to repay.

background

Miss K borrowed 17 loans between December 2010 and November 2012. She says that Wonga's continual lending trapped her in a spiral of debt and she couldn't afford the repayments without more

borrowing. To resolve her complaint she wants Wonga to refund her all interest and charges and amend her credit file.

When Wonga initially looked at Miss K's complaint it agreed that some of the higher value loans might have been unaffordable, so it offered to refund interest/charges on three loans.

Our adjudicator thought that the complaint should be upheld and recommended that Wonga should refund the interest and charges on all the loans and amend her credit file.

Wonga disagreed; it said it had carried out sufficient checks and didn't think there was any indication before July 2011 that Miss K was in financial difficulties. It offered to refund interest and charges on a total of nine loans taken from July 2011 to November 2012. It agreed to remove these loans from her credit file. As Miss K didn't accept the offer this has been passed to me for a final decision.

my provisional findings

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

I've seen Miss K's bank statements and her credit file, it is clear that she was in financial difficulties and was borrowing from other pay day lenders, whilst she was borrowing from Wonga.

Wonga is required to lend responsibly. It needed to make checks to see whether Miss K could afford to pay back each loan before it lent them. Those checks needed to be proportionate to the amount being borrowed, but there was no set list of checks it had to do.

Wonga told us about the usual affordability checks it performed. It's shown that it asked Miss K about her monthly income which was stated as £1500. It also ran credit reference checks, although I can't see what these found. It also says it asked about her expenditure but it hasn't been able to evidence this.

Miss K took the first loan in December 2010 for £265 loan; on the same day she repaid this she took another £265 loan in the same month. She took the third loan for £299 on the same day she repaid the second loan. On paying back the third loan she immediately borrows a bigger loan of £401. Miss K continues to borrow amounts between £200 and £900, with little or no gaps. There was only one occasion where there was a month gap between her Wonga loans.

I think that Wonga's checks were sufficient for the first three loans, given the value of these loans and her stated income. However, I think that when Miss K asked for the bigger fourth loan, Wonga should have realised that there might be a problem. I say this because by this point she was borrowing without any breathing space between the new loan and repaying the previous loan. In addition the fourth loan was a bigger loan.

I think these factors should have alerted Wonga to make further checks; and if it had done this before it granted the fourth loan in February 2011, it would have realised that Miss K was in financial difficulties and I don't think it would have continued to lend to Miss K.

To resolve this complaint I think Wonga should refund Miss K all charges and interest paid (adding 8% simple interest per year) on all the loans granted on and after 17 February 2011. As I don't think these loans should have been granted, Wonga should also remove any information it has recorded about these loans on Miss K's credit file.

my provisional decision

my provisional decision is that WDFC UK Limited (trading as Wonga.com) should;

- refund Miss K all interest and charges paid on the loans granted from 17 February 2011 to 6 November 2012; adding 8% simple interest per year from the date each payment was made until the payment is refunded.
- remove any information it has recorded on Miss K's credit file about the loans granted from 17 February 2011 to 6 November 2012.

Karen Dennis-Barry
ombudsman