

## **complaint**

Mr D complains that WDFC UK Limited (trading as wonga.com) gave him unaffordable payday loans that made his financial situation worse. He wants a refund of the interest and charges he paid, with interest.

## **background**

Mr D had 25 loans and 5 top-ups from Wonga between June 2013 and January 2017. He said he was borrowing increasing amounts to repay earlier loans and that Wonga's checks should have shown his poor financial situation. Wonga said it had carried out appropriate affordability checks for the loans. It said these didn't show that the loans were unaffordable.

Our adjudicator recommended that the complaint should be upheld in part. She thought Wonga's affordability checks had been proportionate and sufficient for loan one, but not thereafter. She thought that better checks would have found that Mr D could afford loans two to five, but not loan six onwards. So she thought Wonga had been wrong to approve these loans. She thought it should refund Mr D's interest and charges, with interest, and remove related adverse information from his credit file.

Wonga didn't respond to the adjudicator's view, so the complaint has come to me for a final decision.

## **my findings**

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

Mr D's first loan from Wonga was for £150 (£163.17 with interest). His loan amounts then increased over the next two months to £599 (£696.02) for loan four. The loan amounts then increased to over £1,000. Mr D borrowed continuously for seven months and then there was a gap of over a year in his borrowing after loan nine. Loan ten was for £800 (£876.80). Mr D then borrowed similar or larger amounts for the next 18 months. He repaid all his loans.

Wonga was required to lend responsibly. It should have made checks to make sure Mr D could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr D was borrowing, and his lending history. But there was no set list of checks Wonga had to do.

Wonga said it asked Mr D for his monthly income and it carried out credit checks. Mr D said he earned £3,000 after tax for loans one to twelve, and £3,200 after that.

I agree with the adjudicator that these checks were proportionate and sufficient for loan one. This was Mr D's first loan from Wonga. The amount was small compared to his declared income. So the loan looked affordable and I can't say it was wrong for Wonga to approve it.

But I think Wonga should have asked further questions about Mr D's finances from loan two onwards. The amounts increased and the borrowing was sequential. So I think Wonga should have checked whether Mr D could afford his repayments. It should have asked about Mr D's outgoings for loans two and three and also about his other credit commitments, both regular and short-term, for loan four.

Mr D has told us about his outgoings and I've looked at Mr D's bank statements from the time to check this information. But Wonga could easily have asked Mr D for it. I can see that Mr D had sufficient disposable income to repay loans two to four comfortably. So I think that if Wonga had asked enough questions it would have found that Mr D could afford the loans. So I can't say it was wrong to approve loans two to four.

Loan five was Mr D's fifth loan in three months. The amount he borrowed was less. But I think Wonga should have been prompted to make further enquiries into Mr D's finances at this stage to check that he wasn't dependent on short-term loans and that his declared information was accurate.

Again I've looked at Mr D's bank statements and other information he's provided. I think better checks would have shown that this loan was affordable. Mr D was left with some disposable income for emergencies after repaying it. So I can't say it was wrong for Wonga to approve it.

But I think Wonga should have made the same thorough checks on Mr D's circumstances from loan six onwards. Mr D had a gap of a year in his borrowing after loan nine. But the large amount he borrowed for loan ten should have prompted the same sort of checks again.

Looking at the information about his circumstances Mr D has provided, I can see that from loan six onwards he couldn't afford to repay Wonga's loans without further borrowing. This continued for the rest of his loans. Also, better checks would have shown that Mr D was addicted to gambling and so Wonga, as a responsible lender, wouldn't have approved further loans. So I think Wonga was wrong to approve loans six to 25, including the top-ups.

### **my final decision**

My final decision is that I uphold this complaint in part. I require WDFC UK Limited (trading as wonga.com) to do the following:

1. Refund Mr D the interest and charges he paid on his loans from 17 October 2013 onwards, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Wonga to withhold income tax from that interest. It must give Mr D a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr D's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 November 2017.

Phillip Berechree  
**ombudsman**