

complaint

Mr W has complained about short-term loans granted to him by WDFC UK Limited trading as Wonga.

background

The background to this complaint, and my initial conclusions, were set out in my provisional decision dated 2 December 2016, a copy of which is attached and forms part of this final decision.

In my provisional decision I explained why I felt Mr W's complaint should be largely upheld and what should happen to resolve the complaint. I invited further comments from the parties before reconsidering the complaint again and issuing my final decision.

Both Mr W and Wonga came back to acknowledge receipt of my provisional findings and to confirm that they had no more information for me to consider or further comments to add.

my findings

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

As neither Mr W nor Wonga have provided any further evidence or arguments for me to look at, I see no reason to change the conclusions I came to in my provisional decision.

my final decision

For the reasons I've given above, and in my provisional decision, I largely uphold this complaint. I require WDFC UK Limited to pay Mr W compensation as I've set out in my provisional decision of 2 December 2016.

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

Sandra Greene
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr W has complained about short-term loans granted to him by WDFC UK Limited trading as Wonga (Wonga or the lender).

background

Wonga agreed 20 short-term loans for Mr W between 3 January 2013 and 3 September 2014, some of which were 'topped-up' i.e. additional principal was agreed. Mr W says these loans were unaffordable for him. And that Wonga would've known this and shouldn't have lent to him.

Wonga said that it had used various factors to assess affordability before lending to Mr W. But it offered to refund the interest and charges on two of loans it lent to Mr W – loans six and nine in the chain. Mr W didn't feel that went far enough to resolve things fairly and so brought his complaint to this service.

One of our adjudicators has looked into Mr W's complaint already. He thought that Wonga should refund the interest and charges that Mr W paid from loan five onwards.

Wonga didn't agree with this recommendation. It felt the checks it did on all the loans (apart from the two it had previously offered to refund charges and interest on) were proportionate to the amount lent to Mr W.

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 have also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Wonga was required to lend responsibly. It needed to make checks to see whether Mr W could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things like the amount Mr W was borrowing and what information Wonga had about him. But there was no set list of checks it had to do.

Wonga says that when Mr W applied for each loan it checked his credit file and asked him for some information about his financial circumstances. So I've gone on to consider whether these checks or anything about the circumstances of Mr W's loan requests should've led Wonga to carry out further checks or decide the borrowing Mr W was requesting was unaffordable.

Mr W's first loan was for £150. And it's difficult for me to conclude that any checks Wonga carried out weren't proportionate, given the size of the loan and Mr W's recorded monthly income of approximately £3,000. So I don't think Wonga did anything wrong in agreeing this loan for him.

Mr W applied for the second - £412, in the same month as the first loan and I've noted that the first loan was 'topped' up twice before Mr W repaid it. This suggests to me that Wonga should've noticed that Mr W was taking out more credit in a short period of time. And that the second loan was for around the same amount of money Mr W had paid to repay the first loan (including the top ups and interest). And I think this should've prompted Wonga to inquire further into Mr W's ability to repay when he applied for his second loan - for example, asking for more thorough information about existing credit commitments. And I can't see that it did. So I don't think the checks it says it carried out at this point were proportionate.

So I have looked at Mr W's bank statements from around the time he took the second loan. From these I can see that Mr W spent considerable sums of money on gambling and he was borrowing

from multiple lenders. I think Wonga would've likely known at least some of this had it looked into Mr W's circumstances in more detail. And I don't think it would've lent to him knowing this. So I don't think that any additional lending would've been affordable for Mr W and so Wonga shouldn't have lent him this loan.

And from what I've seen, Mr W's financial situation remained the same throughout the rest of the time that he borrowed from Wonga. And Mr W's loans increased in size. I do understand that Mr W successfully repaid all the loans Wonga lent to him. But it looks to me that he only achieved this by borrowing further from Wonga and other lenders. And I think this is something that Wonga should've been aware of if it had performed sufficient checks on Mr W's circumstances.

So overall I intend to largely uphold Mr W's complaint. I haven't seen evidence that Wonga performed sufficient checks on Mr W's situation before agreeing to lend to him from the second loan onwards. And from looking at Mr W's circumstances I don't think that most of the loans he was given were affordable for him. So I'm going to ask Wonga to pay him some compensation.

As explained above, Wonga has made offers on two of Mr W's loans. But together with the redress already offered, Wonga should also pay the redress for all the other loans from loan two onwards as described below.

In order to put this right, Wonga should:

- refund all interest and charges for Mr W's loans taken out from 31 January 2013. It may deduct from this amount any previous refund of interest and charges.
- pay interest on these refunds at 8% simple* per year from the dates of payment to the dates of settlement.
- remove any adverse information about these loans from Mr W's credit file.

*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr W a certificate showing how much tax it's taken off if he asks for one.

my provisional decision

I am minded to uphold Mr W's complaint and require WDFC UK Limited (trading as Wonga) to pay him compensation as set out above.

I'll wait two weeks to see if either party has anything further to add – before considering my decision on this complaint once more.

Sandra Greene
ombudsman