

## **complaint**

Mr A complains that WDFC UK Limited (trading as wonga.com) gave him payday loans without carrying out adequate affordability checks. He wants a refund of the interest and charges he paid.

## **background**

Mr A had 21 loans from Wonga between November 2013 and April 2016. He said proper checks would have shown that the loans were unaffordable and they caused him financial hardship. Wonga said its affordability checks had been adequate. Mr A had repaid all but his last loan in full and on time. They were all small compared to his income.

Our adjudicator recommended that the complaint should be upheld in part. He thought Wonga should have made further checks on affordability for some of Mr A's loans. These checks would have shown that Mr A was gambling and he thought that by 11 February 2016 Wonga's loans were unaffordable. So he thought Wonga should refund interest and charges from this date, with interest, and offset this against any principal still owed. It should also remove adverse information from Mr A's credit file.

Wonga replied that it had asked Mr A for his income and expenditure for his later loans. These checks showed that its loans were affordable. Mr A hadn't told it of any financial difficulties.

## **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 A's loans ranged in size from £60 to £454. Many had top-ups. He had 12 loans between November 2013 and October 2014, taken back to back. There was then a 10 month gap until August 2015. Mr A then had nine further loans. He entered a debt management plan for the last loan.

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

Wonga said it checked Mr A's monthly income for each loan and this was between £1,200 and £1,300. It said it carried out credit checks. I can also see from its file that Wonga asked Mr A for his expenditure from loan 15 in October 2015. This was then £700 a month for food, travel, bills and credit commitments. This rose to £750 for loan 19 in February 2016 and £800 for his last loan.

Mr A's first four loans were for £100, £100, £60 and £120. I think Wonga's affordability checks were proportionate for the first two loans. They were relatively small compared to his income.

But when Mr A asked for loan three, I think it should have noted the pattern of borrowing. I think it should have then asked about things such as has normal living costs and regular commitments to see if the loan was affordable. And when he asked for loan four, I think it should also have checked things like his other short-term borrowing. So I think Wonga's checks for loans three and four weren't sufficient.

I've looked at Mr A's bank statements from the time to get information about his normal outgoings, but Wonga could easily have asked Mr A for it. These show that Mr A had sufficient disposable income to repay these small loans. So I can't say it was wrong for Wonga to approve them.

Loan five for £230 was much larger. I think Wonga should then have made full enquiries about Mr A's circumstances to check that this was affordable and that he wasn't reliant on its lending. Again I've looked at Mr A's bank statements and I can see that he could afford this loan.

The next three loans were smaller but then Mr A borrowed over £300 each month for four months. Again I've looked to see what sufficient checks would have found, and I think these loans were all affordable.

There was then a large gap in Mr A's borrowing, so I think it's reasonable to treat the next sequence of loans afresh and to expect Wonga to have carried out affordability checks as appropriate. Loan 13 was for £60 only, but the monthly loans increased steadily in size thereafter (£120, £200, £390, £416, £250, £454, £416, £300).

I think Wonga's checks were proportionate for the first two loans in this sequence. But I think Mr A's request for £200 in October 2015 should have prompted further checks of things like his expenditure to assess affordability. I can see that Mr A said this was then £700. So I think these checks were proportionate and the loan looked affordable.

But when Mr A asked for £390 the next month, on 13 November 2015, I think Wonga should have made full enquiries into his finances. He was expected to repay £433.68 from a stated disposable income of £600. I don't think it was enough for Wonga to then rely on Mr A's statements. This was Mr A's fourth loan in four months. The amounts had steadily increased. I think these were warning signs of a dependency on short-term loans. I think Wonga should then have done things like verifying Mr A's income and outgoings.

Again, I've looked at Mr A's bank statements for this information. I think the loan was affordable. So I can't say it was wrong for Wonga to approve it. I've found the same for the next two loans. But I agree with the adjudicator that if Wonga had made sufficient checks for Mr A's loan in February 2016, it would have seen that he then had other short-term loans, and not enough disposable income to repay its loan. It would also have seen that Mr A was gambling heavily and, as a responsible lender, it should then have declined further loans.

So I agree that it was wrong for Wonga to approve Mr A's last three loans.

### **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 A the interest and charges he paid on his loans from 11 February 2016, adding interest at 8% simple per annum from the date of payment to the date of settlement. This refund should be offset against any principal still owed for the last loan and the rest paid to Mr A.
2. HM Revenue & Customs requires Wonga to withhold income tax from that interest. It must give Mr A 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 A's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 June 2017.

Phillip Berechree  
**ombudsman**