

complaint

Mr G complains that WDFC UK Limited (trading as Wonga) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and removes information about the loans from his credit file.

background

Mr G took out 16 loans with Wonga between June 2014 and February 2016. Mr G says he had to keep taking out short term loans to meet his living costs. He says Wonga should have realised there was a problem from his borrowing pattern and credit report.

The adjudicator recommended that the complaint should be upheld, saying:

- The checks made by Wonga were proportionate for the first two loans. Mr G told Wonga his monthly income was about £2,400 and it did a credit check.
- Wonga should have made more checks before the third loan, which required a larger repayment (£495.63), and the later loans. Wonga should have asked about Mr G's living expenses, regular financial commitments and short term commitments. Had it done so, it would have known that the loans weren't affordable. Mr G had monthly living expenses of about £2,000 and regular financial commitments of about £130. He also had short term commitments. Mr G told Wonga his monthly income was about £2,400.

The adjudicator said Wonga should refund interest and charges on loans three to 16, with interest at 8%, and remove adverse information about the loans from Mr G's credit file. Wonga didn't respond.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Loans 1 and 2:

Mr G took out the first loan, of £50, in June 2014. He told Wonga his monthly income was £2,400. Wonga did a credit check. I think, given the amount of the loan and Mr G's stated income, these checks were proportionate. I think these checks were also proportionate for the second loan, of £178.

Loans 3 and 4:

I think Wonga should have made further checks when Mr G took out the third and fourth loans. The amounts increased, requiring repayments of £495.63 and £519.04, and the loans were taken out shortly after the previous loan was repaid. This could suggest a possible problem. I think Wonga should have asked about Mr G's normal living expenses, regular financial commitments and any short term commitments.

Mr G provided information about his living expenses at that time and bank statements which support what he said. Mr G's monthly living expenses and regular financial commitments were between £1,900 and £2,200 when he took out loans 3 and 4. I don't think Mr G had

enough income to meet his usual outgoings and existing commitments, repay the loans and have money left to meet any unexpected expenses.

Loans 5 to 16:

Mr G took out the fifth loan in September 2014. It required a repayment of £502.82. This was Mr G's fifth loan in about three months. I think, given the amount of the loan and Mr G's borrowing pattern, Wonga should have made further checks. I think it should have asked for information to gain a full understanding of his financial circumstances. While there are different ways of doing this, one is to look at his bank statements.

When Mr G took out the fifth loan, his monthly income was about £2,900, his normal living expenses and regular financial commitments were about £2,200 and he owed more than £250 to other short term lenders. I don't think he could meet his usual outgoings and existing commitments, repay the loans and have money left for any unexpected expenses.

I think Wonga should have made similar checks before offering any more loans to Mr G. If it had, it would have seen that Mr G's financial circumstances didn't improve during the period he borrowed from Wonga. He was often overdrawn, incurring fees for unpaid direct debits, he made regular payments to gambling businesses and he continued to borrow from other short term lenders. If Wonga had carried out proportionate checks it would have known the loans weren't affordable.

I don't think Wonga should have agreed to lend to Mr G after, and including, the third loan (taken out in July 2014). So for each of those loans Wonga should:

- Refund all interest and charges that Mr G paid on the loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about the loans from Mr G's credit file.

*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr G 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. I order WDFC UK Limited to amend Mr G's credit file and pay the compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 October 2017.

Ruth Stevenson
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