

complaint

Miss B says WDFC UK Limited (trading as Wonga) gave her loans she couldn't afford to repay. She asks that it refunds interest and charges, with 8% interest, and removes the loans from her credit file.

background

Miss B took out 16 loans with Wonga between February 2013 and September 2014. She says she had a county court judgement and was in a debt management plan (a DMP). Miss B says Wonga shouldn't have agreed to lend to her.

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

- Wonga said it asked about Miss B's income and did a credit check before offering the loans.
- Miss B's first loan required a repayment of £79.22. Her third loan required a repayment of £107.58. Miss B said her monthly income was £2,600. Wonga's checks before offering these loans were proportionate.
- The second loan required a repayment of £275.66. The adjudicator said Wonga should have asked about Miss B's expenditure. It should also have asked about Miss B's expenditure before offering the fourth loan. Had it done so, it would have seen that the loans were not affordable.
- Wonga should have looked at Miss B's financial circumstances in more detail before offering loans 5 onwards, for instance by looking at her bank statements. Had it done so it would have seen that Miss B spent between £1,300 to £5,600 on gambling each month. Her expenditure exceeded her income.

The adjudicator said Wonga should refund interest and charges on Loans 2 and loans 4 to 16, with 8% interest, and remove negative information about the loans from Miss B's credit files.

Wonga didn't agree. It said it was entitled to rely on the information it received from Miss B and its credit checks. Miss B paid her loans on time and didn't re-borrow on the same day she repaid the previous loan. It wasn't aware that Miss B had a gambling problem or financial difficulties.

my provisional decision

I didn't agree with all of the adjudicator's recommendations. I sent a provisional decision to the parties to explain why. My provisional decision set out the following provisional findings:

Loans 1 to 4

Miss B took out the first loan, of £70, in February 2013. It required a repayment of £79.22. She told Wonga her monthly income was £2,600. I think, given the amount of the loan and Miss B's stated income, the checks made by Wonga were proportionate.

I think that when Miss B asked for the second loan, which required a repayment of £275.66, Wonga should have asked for more information. I think it should have asked about Miss B's normal monthly expenditure and regular financial commitments to assess whether the loan was affordable.

Miss B took out the third loan in May 2013, about two months after repaying the previous loan. The repayment due was £107.58. Given Miss B's stated income and the amount of the loan, the checks made by Wonga were proportionate.

There was a gap before Miss B took out the next loan in August 2013. The repayment due was £113.82. I think as this was her fourth loan Wonga should have made further checks. I think it should have asked about Miss B's normal monthly expenditure and regular financial commitments to assess whether the loan was affordable.

I'd usually ask for information (such as bank statements, payslips, mortgage statements) to help understand a borrower's financial circumstances when they took out a loan. Miss B hasn't provided bank statements for March 2013, when she took out the second loan. Without evidence about her outgoings at that time I don't think I can reasonably find that the loan wasn't affordable.

Miss B's normal living expenses and regular financial commitments were about £1,424 in September 2013. It seems likely they were similar in August 2013, when she took out the fourth loan. I think, had Wonga asked about Miss B's outgoings, it's likely it would have assessed the loan as affordable.

While Miss B says she had a county court judgement against her, I can't see evidence of this on her credit report. So I don't think it's reasonable to say that Wonga should have known about it and taken it into account when making its lending decision. I don't think, at this point, Wonga knew about Miss B's gambling transactions or her financial problems.

Loan 5 onwards

When Miss B applied for the fifth loan I think Wonga should have made further checks. The loan required a larger repayment than previous loans (£310.28) and this was Miss B's fifth loan in seven months. I think Wonga should have asked for information to gain a full understanding of her financial circumstances. While there are different ways of doing this, one is to look at her bank statements.

In September 2013, when Miss B took out the loan, her income was £2,624 and her regular outgoings were about £1,424. She had short term commitments of £290. But Miss B was making monthly payments to a debt advisory service for a DMP. And she was spending large amounts (over £4,000 in September 2013) on gambling. While she sometimes won, I don't think it's reasonable to assess the loan as affordable on that basis.

Miss B's bank statements show continued spending on gambling throughout the period she borrowed from Wonga. I consider the amounts involved significant relative to her income. I don't think the loans were affordable and Wonga would have known this if it had carried out proportionate checks.

I don't think Wonga should have agreed to lend to Miss B after, and including, the loan that she took out in September 2013. So for each of those loans Wonga should:

- *Refund all interest and charges that Miss B 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 Miss B's credit file.*

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.

Miss B accepted my provisional decision. Wonga didn't comment. I see no reason to change my provisional findings or the compensation set out in my provisional decision.

my final decision

My decision is that I uphold this complaint. I order WDFC UK Limited to:

- Refund all interest and charges that Miss B paid on the loans taken out in and after September 2013;
- 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 loan taken out in and after September 2013 from Miss B's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 18 September 2017.

Ruth Stevenson
ombudsman