

## **complaint**

Mr P complains that WDFC UK Limited (trading as wonga.com) gave him unaffordable payday loans. He wants a refund of the interest and charges he paid, with interest, and for his credit file to be amended.

## **background**

Mr P had 15 loans from Wonga between October 2014 and August 2016. He said salary and credit checks would have shown that these were unaffordable for him. He was borrowing increasing amounts to repay other debts. Wonga replied that it couldn't see from its checks that any of the loans were unaffordable. Wonga later offered redress for six loans taken in quick succession, but Mr P declined this offer.

Our adjudicator recommended that the complaint should be upheld. She thought Wonga hadn't made sufficient checks that Mr P could afford to repay any of his loans. She thought that if it had, it would have seen that he didn't have enough disposable income to meet his repayments. So she thought it should refund Mr P's interest and charges, with interest, and offset this against the principal he still owed. It should also remove adverse information from his credit file.

Wonga offered redress for a further three loans as it said these had also been taken in quick succession which may have shown that Mr P was under financial strain. But Mr P declined this offer.

## **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 P first borrowed £275.94 (including interest). He repaid this and a week later he borrowed £508.09 including top-ups. A week after he repaid this, loan three was for £469.14 including top-ups. There was then a gap of almost two months before loan four (£729.60). The next six loans were taken back to back for similar amounts.

After a gap of two and a half months, Mr P took out loan 11 for about the same amount, including top-ups. He repaid this and immediately borrowed almost £900. Five weeks later he took out a loan for £365.26, repayable in three instalments. Two weeks after he repaid this, Mr P borrowed loan 14 for £153.20. Then 10 days later he took out his last loan for £1,170.37, which was repayable in three instalments. He was unable to repay this loan and a balance is still outstanding.

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

Wonga asked Mr P for his monthly income after tax. This was £1,450 for loans one and two, then £2,000 for loans three to five, £2,100 for loans six to ten, and then £2,500 for the rest of his loans. Wonga said it made credit checks but I can't see what these found. It said it would have asked Mr P for his expenditure, but it hasn't provided us with any information about what it found or how it considered this information.

Loan one was significant compared to Mr P's income. So I'd expect Wonga to consider his income, normal living expenses and regular financial commitments before approving it. I can't see what Wonga's checks on the latter two items found, so I've looked at Mr P's bank statements from the time for this information.

I can see that after paying for his living costs, Mr P didn't have enough disposable income left to repay Wonga's loan. So I think sufficient checks would have shown that this loan was unaffordable and it was wrong for Wonga to approve it.

Wonga has already offered redress for loans two and three, five to ten and twelve as they were taken back to back. I agree that it should have asked further questions before approving these loans. Again I've looked at Mr P's bank statements and I can see that he couldn't afford them. So I agree that it was wrong for Wonga to approve them.

Wonga said loans four, eleven and fourteen were taken after considerable breaks in borrowing. But I don't agree. There were some short breaks, but I think Mr P was borrowing sequentially from Wonga for almost two years. So I think that by the time Mr P asked for loan four, which was large compared to his income and the fourth in six months, Wonga should have made full enquiries into Mr P's circumstances.

From what I've seen, these enquiries would have found that Mr P couldn't afford its loans without further borrowing. He was also gambling heavily, and so a responsible lender shouldn't have offered him further loans. So I think if Wonga had made sufficient checks, it would have seen, as I have, that Mr P couldn't afford any of its loans. And so I think it was wrong for Wonga to approve them.

Wonga has offered redress for nine of Mr P's loans, but I don't think this goes far enough.

### **my final decision**

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

1. Refund Mr P the interest and charges he paid on all his loans, 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 owing on Mr P's last loan and the rest paid to him.
2. HM Revenue & Customs requires Wonga to withhold income tax from that interest. It must give Mr P 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 P's credit file.

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

Phillip Berechree  
**ombudsman**