

complaint

Mr B complains that WDFC UK Limited (trading as Wonga.com) lent him money that he couldn't afford to repay.

background

Mr B took out 12 loans and 15 top-ups with Wonga between June 2014 and October 2016.

The adjudicator didn't think that Wonga carried out adequate affordability checks before agreeing any of the loans and top-ups. The adjudicator thought that with better checks, Wonga wouldn't have agreed loan two (including all top-ups), loan six and loan 11.

Wonga agreed to put things right for loans two. It wouldn't agree to uphold loan six as Mr B was left with enough disposable income to afford the loan. Wonga pointed out that loan 11 was an instalment loan so Mr B could afford to pay the monthly repayments from his disposable monthly income.

Mr B didn't accept Wonga's offer so the complaint came to me.

my provisional findings

After considering all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, I was minded to require Wonga to do more than the adjudicator had previously recommended. I issued my provisional decision on 29 August 2018.

Wonga was required to lend responsibly. It needed to carry out checks to see whether Mr B could afford to pay back each loan in a sustainable way before it lent to him. These checks needed to be proportionate to things such as the amount of the loan and repayments and any borrowing history. But there wasn't a set list of checks Wonga had to do.

Even if I decided that Wonga didn't carry out adequate affordability checks for some or all of the loans, it wouldn't necessarily mean that I must uphold Mr B's complaint. I would have needed to be persuaded that with better checks, Wonga would've discovered that Mr B couldn't afford to repay the loan in a sustainable way – that is without borrowing further.

loan two (including top-ups)

Wonga had already agreed to put things right for loan two (including the top-ups). As it didn't appear that there was any dispute about this loan, I didn't consider I needed to say anything further about it.

loans one and three to five (including any top-ups)

I agreed with the adjudicator that Wonga didn't carry out adequate affordability checks before agreeing any of these loans. But that even with proportionate checks, it would've appeared that Mr B had enough disposable income to afford to repay all of the lending.

As I didn't think there was much dispute about the adjudicator's assessment on these loans, I didn't consider I needed to say anything further about them.

loan six

Wonga didn't agree that it was irresponsible to agree loan six as Mr B had enough disposable income to be able to afford the repayment of just over £603. It said that the fact Mr B didn't re-borrow, indicated that he could comfortably afford the loan.

Although Mr B might not have borrowed from Wonga again for seven weeks, I had seen his bank statements. I could see that two days before he repaid loan six to Wonga, Mr B borrowed a total of £645 from three other short term lenders. So I didn't think it was enough for Wonga to rely on the break in lending as evidence that Mr B could afford to repay it without borrowing elsewhere.

In deciding how much disposable income Mr B had, I didn't factor in any unusual expenses such as emergency travel, unexpected or irregular bills. If Mr B had any other expenses – even something relatively minor – then it's likely he would've had to borrow again to repay Wonga.

This meant that even though on the adjudicator's calculations, Mr B had a small amount of disposable income left – just over £41 – I didn't think this was enough to make the loan repayment sustainable.

It followed that I agreed with the adjudicator that Wonga should do something about loan six.

loans seven to 10 (including top-ups) and loan 12

I agreed with the adjudicator that from the second top-up on loan four onwards, due to the pattern of lending and the amount Mr B wanted to borrow, Wonga should've been carrying out the fullest checks possible to decide whether he could afford to repay the loans.

Even with proportionate checks, the adjudicator didn't recommend that Wonga does anything in relation to loans seven to 10 and 12. That was on the basis that if Wonga had verified Mr B's financial circumstances by asking to see evidence such as payslips, bills or bank statements, it would've seen that Mr B had a monthly disposable income of about £800.

It looked to me as though the adjudicator calculated Mr B's disposable income by deducting living costs of £650 and financial commitments of about £390 from a higher than usual monthly salary of £1,864 rather than the income figure of £1,586 that he mentioned in his opinion.

Although it might've appeared that Mr B earned more in January 2016, I didn't think I could say that this was his usual monthly salary. He seemed to have switched to a new employer or project which meant that in January 2016, he received about £1,238 from his existing employer and £627 from his new employer or project. However, from February 2016 onwards, Mr B's monthly salary returned to an average of £1,600.

I didn't think the difference in salary meant that I must reach a different conclusion for loan seven (or the top-ups). This was because the total repayment of £214 would've still appeared affordable. But the difference in salary meant that I was minded to reach a different decision about the top-ups on loan eight.

When Mr B took out loan eight at the end of February 2016, he had living costs of about £666 together with regular financial commitments of £231. Mr B also owed more than £280 to other short term lenders. With better checks, Wonga would've discovered that Mr B had about £438 of disposable income.

I considered that if Wonga had carried out the kinds of checks I thought were proportionate before agreeing the top-ups on loan eight, it would've realised that Mr B couldn't afford to repay them from his disposable income. So I intended upholding Mr B's complaint as it related to the top-ups on loan eight.

As Mr B borrowed considerably less when he asked for loan nine (together with the top-ups), I couldn't say that better checks would've made a difference to Wonga's decision to lend.

loan 10

For all the reasons outlined above, Mr B's disposable income was less than the adjudicator realised. Loan 10 was for £450 and Wonga expected Mr B to repay £554 in one go.

Mr B took out loan 10 within two days of repaying loan nine. I thought this pattern of borrowing and the amount that Mr B was asking to borrow should have again prompted Wonga to carry out the fullest checks possible.

By the time Mr B applied for loan 10, he owed one other short term lender almost £528. This meant that Mr B had regular and short term financial commitments of more than £800. Taking this figure together with his living costs of about £660, Mr B would've been left with about £190 of disposable income.

Mr B couldn't afford to repay loan 10 without borrowing further. I didn't think this was sustainable. As a responsible lender, I wouldn't have expected Wonga to agree to lend if it had discovered this.

loan 11

The adjudicator calculated that with better checks, Wonga would've seen that Mr B had living expenses of about £660 and financial commitments of around £390. This meant that he didn't have enough disposable income to be able to afford to repay £700 to Wonga.

In its reply to the adjudicator's opinion, Wonga pointed out that loan 11 was an instalment loan. The largest monthly repayment was £251. So I agreed with Wonga that even with better checks, loan 11 would've still appeared affordable. This meant I didn't intend to uphold Mr B's complaint about loan 11

I thought Mr B had lost out and Wonga should pay him more compensation than the adjudicator had recommended or that Wonga had offered to pay.

further submissions

Mr B agreed with my provisional decision and Wonga had nothing further to add.

my findings

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

Mr B agrees with my provisional decision and Wonga has nothing further to add. It follows that I make my final decision along the same lines as in my provisional decision.

putting things right

To put things right Wonga should:

- Refund any interest and charges that Mr B paid on loan 2 (including any top-ups), loan six, the top-ups on loan eight and loan 10
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*;and
- Remove any negative information recorded on Mr B's credit file in relation to the above loans

*HM Revenue & Customs requires Wonga to take off tax from this interest. It must give Mr B 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 in part. I require WDFC UK Limited (trading as Wonga.com) to put things right as set out in the above bullet points.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 October 2018.

Gemma Bowen
ombudsman