

complaint

Mr C complains that WDFC UK Limited (trading as Wonga) acted irresponsibly when it lent him money he couldn't afford to pay back. He wants Wonga to compensate him for the stress this caused him.

background

Mr C took out 24 loans with Wonga between 2014 and 2016. Some of them were weekly loans, others over longer periods. He repaid all of them plus any associated interest and charges apart from the last.

Mr C explained that he was in a vulnerable position at the time, as he was struggling with a gambling addiction. He says his financial position got to a point in early 2017 where he had to enter an IVA – an individual voluntary arrangement – with companies he owed money to. He thinks Wonga contributed to that by lending when it shouldn't have.

Our adjudicator looked at the pattern of lending and the checks Wonga carried out each time Mr C borrowed. She thought that Wonga hadn't carried out proportionate checks on any of the loans apart from the first one, and if it had that it wouldn't have lent to him. She recommended Wonga refund interest and charges on all loans bar the first.

Wonga agreed to do this, and says that its calculations show that once the refund is applied to Mr C's outstanding balance, he still owes about £87 – so there won't be a payment due to him. It's agreed to remove all the loans from Mr C's credit file, and has also said it will not lend to him in the future.

Mr C doesn't think this goes far enough, and says that Wonga's behaviour has had a serious effect on his life. He wants additional compensation, but hasn't said how much.

my findings

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

I don't think there's much point in me commenting on the loans Mr C took out, other than to say I agree with our adjudicator's opinion. If Wonga had carried out proportionate checks it would have seen Mr C couldn't afford loans 2-24. Wonga has agreed to compensate him in line with our adjudicator's recommendations.

The outstanding issue is that Mr C isn't satisfied with the compensation. It might help if I explain how this service normally awards compensation. Firstly, we look to put Mr C back in the financial position he'd have been in if Wonga hadn't made mistakes.

In those circumstances it wouldn't have lent him any of the loans except for the first one. So he wouldn't have paid any interest or charges – but neither would he have had the cash he spent. I think it's fair that Mr C repay the cash he borrowed as he's had it and spent it. He's repaid most of this – so he's largely back in the position he'd have been in if he hadn't had the loans at all.

Wonga has said that when calculating any refund due to Mr C it will add extra interest to the interest and charges he paid. That's to compensate him for the fact that, if he hadn't been paying the costs of the loans, Mr C would have had that money to spend as he wished.

I think that's fair compensation, and it's in line with what I'd ask it to do. I also think that it's fair for Wonga to apply the refund amount to the capital Mr C still owes, because he's had that money and spent it.

Mr C wants more than this because he says Wonga lending him the money means he's had to enter an IVA and – in Mr C's words – "ruined his life". I appreciate the strength of Mr C's feelings, but having seen his bank statements I don't think Wonga is solely responsible for Mr C's financial problems. Although I don't know much about Mr C's IVA, from the 2016 bank statements I've seen he was in the habit of borrowing from other short term lenders and also gambling more than he could afford. It's possible Wonga's lending helped to stave off the IVA for a few months. But I don't think that's a reason to ask Wonga to pay any additional compensation.

my final decision

My decision is that I uphold this complaint in part, and I order WDFC UK Limited to refund any interest and charges paid on loans 2-24. For clarity that's all loans taken between 2014 and 2016 bar the first one. It should also:

- 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. *
- remove any adverse information recorded on Mr C's credit file in relation to the loans I am asking to be refunded.
- it can apply the refund due to any outstanding capital Mr C still has. WDFC UK Limited may wish to consult Mr C's IVA supervisor on the best way to do this.

*HM Revenue & Customs requires WDFC UK Limited to take off tax from this interest. WDFC UK Limited must give Mr C a certificate showing how much tax it's taken off if he asks for one.

I do not order any additional compensation.

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

Sue Peters
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