

## **complaint**

Mr H complains that WDFC UK Limited (trading as Wonga.com) gave him loans that he couldn't afford.

## **background**

Mr H took out a total of seven loans with Wonga between September 2015 and May 2016, and he topped several of them up. He believes that if Wonga had carried out suitable affordability checks, it wouldn't have lent to him. He says that as a consequence of taking the loans, his debt spiralled out of control, and he had to borrow again to repay loans.

Our adjudicator recommended that the complaint should be upheld in part. Briefly, he didn't think the checks Wonga had done before all but the first loan went far enough. He thought that if it had carried out all the checks it should have done, it would have realised that Mr H couldn't afford the loans. So he recommended that it refund all interest and charges that Mr H paid on all loans from December 2015 onwards, with interest on the refund. And he recommended that it remove any negative information about those loans from Mr H's credit file.

Wonga didn't agree with the adjudicator's view, so the complaint has been passed to me.

## **my findings**

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

Wonga was required to lend responsibly. It needed to make checks to see whether Mr H could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr H was borrowing, the length of the agreements and his borrowing history. But there was no set list of checks Wonga had to do.

I think the checks Wonga did before making the first loan were reasonable. It carried out a credit check. And Mr H told it he earned around £1,600 per month. At £115, the loan was a relatively small proportion of his declared income. And I don't think it was unreasonable of Wonga to go ahead without making more detailed checks.

Mr H topped up the first loan twice - with further amounts of £100 and £50 - within a few days of taking it out. The top-ups took the total amount outstanding to £265. It's true that this was a more significant proportion of Mr H's monthly income. But overall, I think that the checks that Wonga carried out before allowing Mr H to top up the loan went far enough.

Mr H repaid the first loan on time, and it was more than two months until he borrowed from Wonga again. But Wonga's told us that in between the first and second loans, Mr H made five unsuccessful loan applications.

I can see that before it agreed to make the second loan, Wonga asked Mr H for details of his monthly expenditure, broken down into various categories, including credit commitments. He told it this amounted to around £400 in total. I accept that on the basis of the information Mr H provided, it might have appeared that he had more than enough disposable income to repay loan 2 comfortably. After all, the loan was only £65. But I think the fact that Mr H had recently topped up a loan twice, and had then repeatedly made unsuccessful loan applications ought to have been a warning sign to Wonga that he might be struggling financially. And I think it should have realised that his financial situation might not be as strong as the income and expenditure figures he gave it suggested.

Taking everything into account, I think Wonga should have got a fuller picture of Mr H's financial situation before agreeing to lend further. At the very least, I think it should have asked specifically for details of any other short-term loans that Mr H had outstanding at the time. I've looked at Mr H's bank statements and his credit file, and I can see that he was borrowing from several payday lenders at the time. In fact, in the month leading up to the second loan alone, he'd taken out more than £2,700 in payday loans.

So I think that if Wonga had carried out proportionate checks before making the second loan it should have realised that Mr H couldn't afford it. Although the loan was small, he was already heavily over-committed. It follows that I find that Wonga shouldn't have agreed to the loan.

Mr H's financial situation remained poor throughout the time that he was borrowing from Wonga. I accept that he repaid the second loan on time. But he applied to borrow again just ten days later. I think that by that point, a pattern of applications was emerging which should have alerted Wonga to the possibility that Mr H was relying on short-term loans to get by. And I think it should have carried out full review of his financial situation before lending further. If it had done so, not only would it have seen that Mr H's commitments to other short-term lenders and credit card companies already accounted for all his disposable income, but it would have realised that he was gambling heavily. So overall, I think it should have been clear to Wonga that Mr H wasn't borrowing sustainably.

Taking everything into account, I'm satisfied that if Wonga had carried out proportionate checks, it should have refused to make all but the first loan to Mr H.

### **putting things right**

To put things right, WDFC UK Limited (trading as Wonga.com) should:

- refund all interest and charges that Mr H paid on all loans he took out from December 2015 onwards;
- pay interest on those refunds at 8% simple\* per year from the dates of payment to the date of settlement;
- write off any interest and charges that haven't yet been paid;
- apply the refund to reduce any capital outstanding, and repay any balance to Mr H; and
- remove any negative information about the loans referred to in the first bullet point above from Mr H's credit file.

† HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr H 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 by doing as I've set out above.

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

Juliet Collins  
**ombudsman**