

## **complaint**

Mr R complains that WDFC UK Limited (trading as Wonga) gave him loans that he couldn't afford and trapped him into a spiral of debt.

## **background**

Mr R took out a total of 44 loans and 26 top ups with Wonga between April 2010 and June 2013. The amounts he borrowed varied from £80 to £735, plus interest.

Mr R says that Wonga was irresponsible and reckless when it lent to him because he was in a cycle of debt and he had to continue borrowing to make ends meet.

Because of the time that has passed since Mr R began borrowing and making his complaint Wonga agreed that we could only look at loans 13 onwards.

Our adjudicator recommended that the complaint should be upheld in part. In brief, he didn't think the checks Wonga had carried out before making any of the loans went far enough given the amount borrowed and Mr R's declared income together with his borrowing history. But he thought that better checks wouldn't have made any difference to the decision to give Mr R loans 17-21.

But the adjudicator thought that if Wonga had carried out proportionate checks for all the loans, it would have realised that Mr R's existing financial commitments and his borrowing behaviour was such that loans 13-16 and loans 22-44 should not have been given to Mr R. So he recommended that it refund all interest and charges that Mr R paid on those loans, with interest on the refund, and that it remove any negative information about those loans from Mr R's credit file.

Wonga didn't agree with the adjudicator's view and said in summary that the checks it carried out were proportionate. It didn't have to get detailed information about Mr R's expenditure and it would be onerous to ask for bank statements. It said that Mr R had enough disposable income to repay some of the loans and it didn't accept that this was irresponsible given the very nature of short term lending. But it did agree to refund all interest on four of the loans. Mr R didn't accept that offer and the complaint has been passed to me to decide.

## **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 R 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 R was borrowing, the length of the agreements and his borrowing history. But there was no set list of checks Wonga had to do.

Before it lent, Wonga carried out a credit check, and asked Mr R for details of his income. Although I am not considering loans 1-12 I have taken into account that Wonga had a picture of Mr R's borrowing pattern at the time he asked to borrow for loan 13. By the time Mr R applied for this loan, I think a pattern had emerged. And this ought to have prompted Wonga to look more carefully at his circumstances before agreeing to lend further. By this stage, I think Wonga should have asked more detailed questions to establish why Mr R had to borrow repeatedly. As a minimum, I think it should have asked Mr R for details of his normal monthly living costs and regular financial commitments, but I also think it should have asked him specifically about any other short-term loans he had.

I think that Wonga should have been getting a detailed picture of Mr R's finances and not just relying on what he said. By this point there is a pattern of borrowing which indicates a reliance on short term credit. Although there were some gaps in the lending I don't think they are significant. I'm satisfied that if Wonga had asked suitably detailed questions about Mr R's financial circumstances before making loan 13 and subsequent loans, it would have realised that he had minimal disposable income, after his normal monthly living expenses and existing loan repayments were taken into account. So he wouldn't be able to afford to repay these loans in a sustainable way without borrowing further. In the circumstances, I don't think Wonga should have made loans 13-16 or loans 22-41.

I've looked at Mr R's bank statements for the period in which he was borrowing the above loans from Wonga. They show no material improvement in his financial circumstances. In many months he was borrowing significant amounts from other short-term lenders and friends and family, in addition to making repayments on longer-term financial commitments.

As it received repeated applications from Mr R, I think the onus on Wonga to carry out more detailed checks became greater. And I'm satisfied that if it had asked Mr R about his monthly expenditure and other outgoings and credit, it would have realised that he was trapped in a spiral of borrowing, and was only managing to meet his repayments by taking out multiple loans. Wonga should have realised that this was unsustainable, and that Mr R wasn't in a position to service his debt. So I think it was irresponsible to lend loans 13-16 and 22-41.

I have considered what Wonga has said about Mr R's disposable income but I agree with the adjudicator that Wonga needed to check whether Mr R could repay the loan comfortably and sustainably. Leaving him on occasions with a small amount of disposable income for the month was irresponsible. I note what Wonga has said about asking for bank statements. It didn't have to ask for bank statements but it should have done more to establish why Mr R was borrowing so often and verified his financial position as this is inconsistent with his borrowing history. If it had done it would've seen that Mr R was also gambling. This coupled with his repeated borrowing should've alerted Wonga that Mr R was reliant on short term credit and lending further in these circumstances was irresponsible.

I agree with the adjudicator that loans 17 – 21 were affordable for Mr R and so better checks wouldn't have made any difference to the decision to lend. In these circumstances I don't think Wonga needs to do anything about these loans. Mr R has had the benefit of the money so I think it is only fair that he pays it back but I agree with the adjudicator that Wonga should refund all interest and charges from loans 13-16 and loans 22-44 and remove any negative information about these loans from Mr R's credit file.

### **putting things right**

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

- refund all interest and charges that Mr R paid on loans 13-16 and 22-44 and top ups to those loans;
- pay interest on those refunds at 8% simple\* per year from the dates of payment to the date of settlement;
- remove any adverse information about the refunded loans from Mr R's credit file.

\*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr R 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) 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 R to accept or reject my decision before 27 December 2017.

Emma Boothroyd  
**ombudsman**