

complaint

Mr R complains that WDFC UK Limited (trading as Wonga) lent him money without checking whether he could afford to repay it. He wants Wonga to refund all the interest and charges he's paid.

background

Mr R took out six loans with Wonga in 2014, over five months. Several of them were "topped up" with extra money whilst still running.

Loan number	Date taken	Amount	Top up	Total repaid	Date repaid
1	18/2/14	£200		£263.04	18/3/14
2	21/3/14	£325		£423.04	17/4/14
3	2/5/14	£150			
3a	3/5/14	£60	y		
3b	3/5/14	£50	y	£314.00	16/5/14
4	19/5/14	£125		£151.38	4/6/14
5	21/6/14	£150			
5a	27/6/14	£100	y	£325.14	18/7/14
6	19/7/14	£150			
6a	19/7/14	£140	y	£385.28	16/8/14

Our adjudicator thought this complaint should be upheld in part. She thought Wonga hadn't carried out sufficient checks before lending to Mr R. However, she also thought that if Wonga had carried out more thorough checks, the information it collected wouldn't have affected its decision to lend, apart from loan 3b above.

Wonga has agreed to refund interest and charges on this particular loan, and remove any negative entries on this loan from Mr R's credit file.

Mr R doesn't think that goes far enough and I've been asked to decide this complaint.

my findings

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

Whenever Wonga lent to Mr R it had to check that he could afford to repay the loan from his normal income and/or savings. There's no set list of things for Wonga to take into account, but it could include things like Mr R's income and outgoings, his credit file and what Wonga already knew about his borrowing history.

Wonga says it carried out some credit checks on Mr R and collected information on his income. It recorded that as £1,200 for all loans. It fed that and other information into its own scoring system and says Mr R passed its own threshold each time.

When Mr R applied for his first loan, the repayment including interest was for just under 25% of his income. That's fairly substantial, and I think it would have been appropriate for Wonga to collect information on Mr R's normal outgoings as well as his income before it lent. It didn't do that, but I don't think that affected Mr R negatively. If Wonga had got that information, it

would have seen that Mr R had disposable income of about £900. Mr R says his normal outgoings were low because he lived with his parents at the time. So I think Wonga acted reasonably when it gave Mr R this loan.

Mr R continued to borrow, often with only a few days in between paying off one loan before borrowing again. I think Wonga should have continued to check Mr R's income and outgoings, but again it didn't ask about outgoings. If it had, I think it would have seen that Mr R could afford loans two and three and the first top up on loan three (3a above).

Mr R then applied for a second top up on loan three. It was the same day as he'd already asked for and been given the first top up. I think that was enough to alert Wonga to the fact that Mr R might be becoming dependent on this type of borrowing. I think Wonga should have got a full picture of his circumstances and verified it independently before providing the second top up.

Wonga didn't do that. If it had, it would have seen that, although Mr R had about £960 of disposable income he'd spent much of this – about £700 – gambling. When the repayment for loan three (and the first top up) is taken into account, Mr R didn't have enough money left to repay the second top up. So I don't think Wonga should have given him this loan. We got this information from Mr R's bank statements, but Wonga could easily have asked for it at the time. Wonga has agreed to refund interest and charges on this loan.

Mr R continued to borrow over the next couple of months. Given his borrowing history, I think Wonga should have continued to get a full picture of Mr R's circumstances and verify that independently. It didn't do that, so I don't think its enquiries went far enough. However, having looked at Mr R's bank statements, it seems that he did have enough spare money each month to repay loans four to six, including any top ups. He wasn't spending so much gambling that it affected his ability to repay Wonga or meet his other commitments. So I don't think Wonga's error meant it lent irresponsibly.

my final decision

My decision is that I uphold this complaint in part. To put matters right WDFC UK Limited should:

- refund interest and charges Mr R paid on the second top up he took out on 3 May 2014. It should add interest* at 8% per annum to any refund from the date Mr R paid interest or charges to the date of the refund.
- remove any negative information about this loan from Mr R's credit file.

*HMRC requires WDFC UK Limited to deduct tax from this interest before it's paid to Mr R. WDFC UK Limited must give Mr R a certificate of tax deducted if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 December 2017.

Sue Peters
ombudsman