

complaint

Mr R and his representative complain that WDFC UK Limited (trading as Wonga.com) didn't carry out proper affordability checks when granting him unaffordable payday loans. He became dependent on them and they worsened his financial position. They want the balance written off, the charges and interest refunded, compensation and his credit file amended.

background

Our adjudicator felt this complaint should be upheld. She said:

- Wonga granted Mr R 98 payday loans and top ups in just over a four year period from November 2011.
- Mr R struggled to repay his loans. And on a number of occasions took out additional and continuous borrowing to repay previous loans. Wonga could've done more to check these loans were affordable. There was continuous borrowing on a monthly basis for 4 years.
- Payday loans are meant to be a form of short term borrowing. But the loan taken out on 17 June 2012 shows a trend of continuous borrowing. And no further checks were carried out although its evident Mr R was using new loans to pay off old ones.
- So, Wonga should refund all interest and charges on all loans from 19 June 2013 plus interest. It should also remove any information on these loans from this date from his credit file.

Wonga hasn't responded to the adjudicator's opinion.

my findings

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

It's clear from the account history that Mr R quickly became dependent on Wonga's payday loans. He was in a cycle of debt and was using them for long term borrowing. I agree with the adjudicator that Wonga should've been aware of this by 17 June 2012 and shouldn't have continued lending to him.

Overall, I think the adjudicator's proposal of a refund of interest and charges and amendment of the credit file is fair and reasonable. But, given Mr R's borrowing history and the apparent lack of checks by Wonga when each loan was taken out, I think this redress should be on all loans from 17 June 2012, rather than 19 June 2013 as the adjudicator said in her opinion.

my final decision

I uphold this complaint and I require WDFC UK Limited (trading as Wonga.com):

1. To refund all interest and charges on all loans from 17 June 2012 plus pay simple interest at the rate of 8% a year from the date each sum was paid until the date of settlement; and

2. To remove any information on Mr R's credit file relating to all loans taken out from 17 June 2012.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 April 2016.

Stephen Cooper
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