

complaint

Mr S complains that WDFC UK Limited, trading as Wonga, gave him loans that he couldn't afford to pay back.

background

Mr S took out 16 loans with Wonga between February 2012 and April 2013.

loan	date taken	amount	deferrals/top ups	date repaid
1	7 February 2012	£100		24 February 2012
2	6 March 2012	£123	3 top ups - £200	23 March 2012
3	28 March 2012	£165	2 top ups - £220	25 April 2012
4	13 May 2012	£57	1 top up - £116	25 May 2012
5	7 June 2012	£123	1 top up - £83	25 June 2012
6	8 July 2012	£50	1 top up - £62 & 1 deferral	15 August 2012
7	30 August 2012	£205		20 September 2012
8	21 September 2012	£170		5 October 2012
9	19 October 2012	£126		25 October 2012
10	1 November 2012	£250	2 top ups - £145	23 November 2012
11	28 November 2012	£520	1 top up - £154	21 December 2012
12	2 January 2013	£182	2 top ups - £280	25 January 2013
13	28 January 2103	£800		1 February 2013
14	6 March 2013	£80	2 top ups - £135	23 March 2013
15	31 March 2013	£350	5 top ups - £327	25 April 2013
16	30 April 2013	£700	1 top up - £100 & 1 deferral	

The adjudicator thought that Wonga didn't do enough to make sure Mr S could afford all the loans. And he said that if it had carried appropriate affordability checks, it wouldn't have lent to him from August 2012 onwards.

Wonga didn't agree. It thought the checks it had carried out were sufficient.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr S and to Wonga on 5 October 2017. I summarise my findings:

- Wonga had to check each time it lent to Mr S that he could afford to make the repayments without it adversely impacting on his financial situation. The checks it did had to be proportionate and enough so that Wonga could make an informed decision on the lending.
- What's proportionate depended on things like – but not limited to – the size of the loan repayments and the information Wonga had about Mr S. But there isn't a set list.
- A lender must take reasonable steps to ensure that a borrower can *sustainably* repay their loans and I couldn't assume that because Mr S managed to repay his loans it meant that he was able to do so out of his normal income without having to borrow further.
- I thought the checks Wonga did were proportionate for the first two loans.

- When Mr S asked for the first and second top up I think Wonga should also have asked him about his normal monthly living expenses. But even if it had done so I think it would have concluded they were affordable.
- Mr S asked for a third loan just a few days after repaying the second one and its top ups. He then topped up this third loan twice. At this stage, I think it should have been clear to Wonga that Mr S was borrowing regularly, with very short intervals between each request, most likely to supplement his normal income rather than to meet a one off or unexpected expense.
- For these and subsequent loans, Wonga should have examined Mr S's financial circumstances in some detail. So it should have asked him, not only about his normal income and living expenses, but about his financial commitments and any other short term lending. It should also have asked for evidence of his income and outgoings, such as payslips or copies of bills, or his bank statements.
- If it had done so it would have seen that, not only had Mr S taken a significant amount of short-term lending elsewhere, he was spending a significant amount on gambling each month.
- I didn't think Mr S have enough money to fully repay any of the loans from 28 March 2012 onwards, without resorting to further borrowing.

Subject to any further representations from Mr S or Wonga, my provisional decision was that Wonga shouldn't have agreed loan three or any of the loans that it subsequently made.

Wonga had already agreed to refund interest and charges for loans 11, 13 and 15, as detailed in the table above, and had written off loan 16. But, to put matters right, for each of the loans from 28 March 2012 I considered it should:

- Refund any interest and charges applied to the loans.
- 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 S's credit file in relation to the loans.

Wonga may deduct the capital it wrote off for loan 16 from the total compensation it pays to Mr S.

Both parties accepted my provisional findings, and didn't have anything further to add.

my findings

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

Having done so, and as neither Mr S nor Wonga has provided any fresh information or evidence in response to my provisional decision, I see no reason to depart from my earlier conclusions.

I find that Wonga shouldn't have agreed to lend to Mr S for the loans that he took from 28 March 2012 onwards.

my final decision

My final decision is that I uphold this complaint in part. I require WDFC UK Limited, for each of the loans from 28 March 2012, to:

- Refund any interest and charges applied to the loans.
- 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 S's credit file in relation to the loans.

Wonga may deduct the capital it wrote off for loan 16 from the total compensation it pays to Mr S.

*HM Revenue & Customs requires Wonga to take off tax from this interest. If he asks, Wonga must give Mr S a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to Mr S to accept or reject my decision before 6 December 2017.

Karen Wharton
ombudsman