

complaint

Mr A has complained WDFC UK Limited, trading as Wonga.com, didn't check properly whether he could afford the loans he took out with them.

background

In August 2013 Mr A took out a loan for £200 with Wonga. Within a couple of weeks, he topped up this loan by £25. Over the next two years, he took out a further 30 loans with Wonga. All of his loans were repaid, except the last taken out in July 2015. Mr A hasn't repaid that loan in full.

Mr A had a number of other loans with lenders and has complained insufficient checks were carried out. Wonga didn't initially respond to him. Mr A brought his complaint to the ombudsman service.

Our adjudicator reviewed the evidence and asked Wonga to refund the interest and charges added to loans Mr A took out:

- from October 2013 to July 2014
- on 5 November 2014
- from 29 March 2015 until he stopped borrowing from Wonga

She felt Wonga could have carried out additional checks when his borrowing pattern looked like Mr A was relying on his borrowing to get by. Wonga pointed out Mr A had signed his agreements and provided them with information which it was fair of them to rely on. They felt they'd carried out appropriate checks particularly for those loans taken out after the Financial Conduct Authority revised the guidelines. They'd initiated new ways of testing Mr A's affordability.

Wonga did offer to repay interest and charges for some loans. They felt *"the pattern of borrowing does indicate that loans taken between 23 November 2013 and 2 July 2014 were unaffordable"*. Our adjudicator felt this wasn't fair. Wonga has asked an ombudsman to consider Mr A's 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.

When lending money to Mr A, Wonga was required to ensure he could repay the borrowing in a sustainable manner, without it adversely affecting his financial situation. A lender should get enough information to make an informed decision about the lending. It's for the lender to decide how it does this. The guidance and rules list a number of things each lender may wish to consider but is not proscriptive. The guidance changed over the period of Mr A's lending. Checks should be proportionate. This can be based on the size of the loan or what the pattern of borrowing is telling the lender.

Wonga says, before agreeing to lend to Mr A, he was asked to consider how he could repay his loans. He had to confirm this *"before proceeding as part of the online customer journey"*. I can see Mr A provided information about his income to Wonga. This matches what I can

see from his bank statements and what he's told us. However I believe Mr A may not have confirmed fully the extent of his outgoings to Wonga. I have taken this into account.

Just because Mr A confirmed he could afford what he borrowed, Wonga knows there's a greater responsibility placed on them to ensure this is the case. And by the time Mr A was borrowing regularly from Wonga, I can't see they did this.

Like our adjudicator I believe by the time Mr A took out his fifth loan in October 2013 – only two months after his initial loan – Wonga should have been able to see a pattern was developing. Mr A has asked we consider refunding from his third loan as his fourth loan was an increase in what he'd been borrowing. And I agree his September 2013 loan was 50% more than his loan just three weeks before that. But I don't feel three loans would have been enough for Wonga to identify the pattern of Mr A's regular borrowing. It's the regular borrowing which I believe was unsustainable.

At this stage, I think it's fair to expect Wonga to have asked more questions. I agree with Wonga they weren't required to look at his bank statements. In fact there was no specific check they were obliged to carry out. But if they had looked into Mr A's financial situation more closely, they'd have seen, as I have, that further lending wasn't sustainable.

Mr A's bank statements show he was reliant on short-term borrowing to meet his day-to-day commitments and repay similar loans with other lenders. Short term lending is designed to help people meet their commitments in the short-term, not to repay similar lending over the medium to long-term. Mr A didn't have the capacity to take on further borrowing, as he didn't have enough money to repay.

Wonga says there were "*on several occasions significant breaks in borrowing*". I don't think this can be true since he did take out 31 loans in less than a two year period. I accept there was a break of more than two months after he borrowed £1,000 on 2 July 2014. And the loan taken out in September – including the top up – was for only £105.

However after that period, Mr A's borrowing pattern continued. In 2015 Mr A was borrowing more than twice a month on occasion. By this time, he was also borrowing from about three other lenders on a monthly basis. I don't believe the loans Mr A took out in and after October 2014 were affordable. Nor do I think this pattern of borrowing was sustainable.

I've noted Mr A was also gambling regularly but, in the most, these were for low amounts. He did get credits into his account from gambling websites but rarely more than twice a month. I can't see he was ever winning more than he lost. Obviously he was choosing to spend his money in this way but it was his repayments to other payday lenders making any further lending unaffordable.

So Wonga needs to put things right for Mr A. This will mean repaying interest and charges on loans taken out 21 October 2013 to 2 July 2014 (inclusive); and then on loans from 10 October 2014 until the end of his borrowing in July 2015.

As my decision is different to our adjudicator's, I let both Wonga and Mr A know this. I gave Wonga the opportunity to accept the outcome informally but they didn't agree. I've considered their further points before coming to my final decision. Mr A had asked me to look at whether he should get any additional compensation. Wonga had never completed a final response within the required timescale and had delayed resolution of his complaint. I

have considered this. But Mr A could and did refer his complaint to us without a final response. I therefore don't think the lack of final response had any impact.

Mr A still owes Wonga more than £300 for his last loan. After Wonga has readjusted this figure for the capital he still owes them, they will make sure this debt is paid before giving Mr A what they owe him. I believe that's fair.

my final decision

For the reasons I've given, my final decision is WDFC UK Limited, trading as Wonga.com, must do the following to put things right:

- Repay all interest and charges Mr A paid on his loans from and including 21 October 2013 to 2 July 2014, and then all loans from and including 10 October 2014;
- Add 8% simple annual interest to all interest and charges payments from the dates Mr A made them until the date of settlement; and
- Remove any negative data on these loans from Mr A's credit record.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 November 2016.

Sandra Quinn
ombudsman