

## **complaint**

Mr J complains that WDFC UK Limited, trading as Wonga, provided him with loans he couldn't afford to pay back. It also provided loans in his name that he didn't apply for and it has failed to remove adverse information about them from his credit file.

## **background**

Mr J took out seven loans with Wonga between July and December 2011. There were five more loans in Mr J's name taken from January to June 2012. Wonga said that, after the FCA brought in changes for testing for affordability in 2014, it assessed the last five loans taken in 2012 using its new affordability tests and wrote off the amounts outstanding. It removed all records of the loans from Mr J's credit file.

Mr J says that, after checking his credit file in December 2016, information about the last loan, taken in June 2012, remained on his credit file. He also believes Wonga didn't do enough checks of his financial situation for the other loans and lent him money he couldn't afford to repay.

After Mr J complained to it, Wonga agreed that Mr J couldn't afford the repayments for the last loan that he took in 2011, so it offered to refund all the interest and charges and remove any adverse information about this loan from his file.

The adjudicator thought the complaint should be upheld in part. She accepted that Wonga had asked Mr J about his normal monthly income and carried out a credit check before agreeing the loans. She considered these checks were enough for the first two loans, given the amount of the repayments relative to Mr J's income. But for the third loan, she thought Wonga should have asked Mr J about his normal living costs and any financial commitments he had. And for the fourth loan she thought it should also have asked questions about other short-term loans. Our adjudicator said Wonga should have carried out a full financial review before approving the fifth and subsequent loans, especially given the loan was for significantly more than Mr J had borrowed before.

The adjudicator carried out a review and found that Mr J's disposable income was too low to repay loans from three onwards. She recommended Wonga refund the interest on loans three to twelve, plus 8% statutory interest, if it hadn't already done so, and that it remove any associated adverse information from his credit file.

But then Mr J said that he only took out the first seven loans. Wonga agreed that the loans taken in 2012 (eight to twelve) were made in Mr J's name without his consent. It said it had written them off and removed them from Mr J's credit file. It also said that, as his details had been misused, it would record this with CIFAS. Mr J had found that the last loan hadn't been removed and said this had impacted on his ability to get a mortgage. Whilst the adjudicator couldn't say that the Wonga entry alone was the cause of Mr J being unable to get further credit, she didn't feel Wonga had dealt with Mr J's concerns satisfactorily. She recommended Wonga pay him £50 for the trouble he'd been caused.

Mr J didn't agree. He said, in summary, that Wonga had made lots of promises over the last six years, but failed to do what it said it would. There still wasn't a CIFAS warning on his credit file. He didn't think that £50 was enough for the trouble and upset and Wonga needed to have punitive action taken against it to deter it from treating others in the same way.

## **my findings**

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

### *affordability of loans one to seven*

Wonga was required to lend responsibly. It should have made checks to make sure Mr J could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr J was borrowing, and his lending history. But there was no set list of checks Wonga had to do.

Wonga had information about Mr J's normal monthly income and carried out credit checks before it agreed any loans. For the first two loans, I think these checks went far enough. The loan amounts were a small proportion of Mr J's income and there was over two months between the loans.

Wonga has now accepted that loans four to seven were probably unaffordable and agreed to refund all interest and charges (plus 8% statutory interest) for these. In order to resolve the complaint, it agreed to do the same for loan three, as a gesture of goodwill. It has also said it will remove any adverse information about these five loans from Mr J's credit file.

In the circumstances, I don't see I need to investigate this part of Mr J's complaint any further.

### *loans eight to twelve*

After Mr J asked Wonga about these loans in October 2017 it looked into them and agreed that they had been taken out without his consent. These loans had already been written off in 2014 under its affordability forbearance scheme and any records of the loans should have been removed from Mr J's credit file at that time. Wonga has said that it again asked the credit reference agencies to remove all traces of these five loans from Mr J's file in January 2018, once it had confirmed them as fraudulent loans. It also placed a CIFAS warning against Mr J's name at that time so other organisations would know that his name and personal details had been used by another person. By doing this, I'm satisfied that Wonga has put Mr J back into the position he would have been in had the loans not been taken.

### *credit report*

Mr J is very upset about the impact the last five loans have had on his credit file. When he brought the complaint, he believed it was just loan twelve that had remained on the file for about two years. He then found out that loans eight to eleven had been there since 2012 until early 2018 and, despite saying it had placed a CIFAS warning, he says that this still isn't showing on his recent report. He feels that this has meant that he has been unfairly turned down for credit and is preventing him from being accepted for a mortgage. He has provided copies of declined applications from late 2016 and July 2017.

I can fully understand Mr J's concerns. I have carefully looked at his credit report from July 2017. All the loans from Wonga on that report are the ones that Mr J took in 2011 and they are all showing as satisfied and closed. And Mr J agrees that Wonga had removed traces of loan twelve (taken in June 2012) in February 2017 so I don't think this was responsible for the declined application in July 2017.

Lenders assess a number of factors when deciding whether or not to provide loans and other types of credit, including, but not limited to, a credit reference search. Although I can't say why other lenders declined his applications I can't safely conclude that it was Wonga's entries alone that meant that he wasn't able to get further credit.

### *CIFAS*

Wonga says that it placed a CIFAS warning against Mr J's name in January 2018, after it had investigated loans eight to twelve, and found that they were taken without his consent.

### *customer service*

It is clear that Mr J has strong feelings about how Wonga has handled his complaint. I appreciate that he doesn't feel that £50 is enough for the upset Wonga has caused him. But none of the awards we make are intended to act as a punishment of a financial provider. My role is to decide what is fair and reasonable on the merits of an individual case.

I accept that Wonga has provided Mr J with confusing and conflicting information and he hasn't received a satisfactory level of customer service. Whilst Wonga dealt with the affordability part of his complaint, it didn't deal with the points he raised about his credit file. But, as I've explained above, I don't think Wonga can be held responsible for the level of impact he says it had on his credit file. So having carefully taken into account everything that has happened I'm satisfied that £50 is fair here. Wonga has also said it will apologise for its poor level of service.

### **putting matters right**

Wonga has agreed, that for each of the loans three to seven, including the top ups, (taken from October 2011 to December 2011) it will:

- Refund any interest and charges applied to the loans
- Refund all the payments made by Mr J to loans eight to twelve
- Add simple interest at a rate of 8% per annum to each of the above amounts from the date they were paid to the date of settlement\*
- Remove any adverse information recorded on Mr J's credit file in relation to the loans and also to the loans found to be fraudulent, if it hasn't already done so
- Ensure it has placed a CIFAS warning against Mr J's name
- Apologise and pay £50 for the upset it has caused.

\*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mr J a certificate showing how much tax it's taken off if he asks for one.

**my final decision**

My final decision is that I uphold this complaint in part. I require WDFC UK Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 4 August 2018.

Karen Wharton  
**ombudsman**