

complaint

Mr H complains that WDFC UK Limited (trading as wonga.com) gave him unaffordable payday loans. He wants a refund.

background

Mr H had 23 loans from Wonga between November 2012 and August 2016. He said it hadn't carried out proper affordability checks. He was borrowing from other short-term lenders at the time of the loans and couldn't afford them. Wonga said it had carried out appropriate affordability checks. But it offered to refund interest and charges on four loans, with interest, as it said these may not have been affordable. But Mr H declined this offer.

Wonga later said it should have made more checks for loans five to fifteen and it offered redress for these. But Mr H was unhappy with this.

Our adjudicator recommended that the complaint should be upheld in part. She didn't think Wonga had made proportionate or sufficient affordability checks for Mr H's first four loans or from loan 17 onwards. She thought that if Wonga had made enough checks, it would have found that Mr H could afford loan one and loans 17 to 19, but not the others.

So the adjudicator thought Wonga had been wrong to lend Mr H loans two to four and 20 to 23. She thought Wonga should refund Mr H's interest and charges for these loans, with interest, and remove related adverse information from Mr H's credit file.

Wonga replied that it agreed that it should have made further checks for loans two to four. It agreed to redress these three loans as well as the eleven already offered. But it said its checks on loans 20 to 23 had been proportionate. It said Mr H's stated income and outgoings showed that these loans were affordable. Mr H hadn't told it about his financial difficulties and he'd repaid the loans early. Mr H declined Wonga's offer.

my findings

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

Wonga has already agreed that it should have made further checks for loans two to 15 inclusive. It has agreed to refund Mr H his interest and charges for these, with interest, and remove related adverse information from Mr H's credit file. So I'll not consider these loans further.

Mr H's first loan from Wonga was for £400 (£513.49 with interest). He repaid this on time.

There was a gap of about two years in Mr H's borrowing from Wonga after he repaid loan 15. Loan 16 was for £185 (£195.36 with interest) and Mr H repaid this early. Loan 17 was for £475 (£547.20) and Wonga said this was to be repaid in three instalments. But I can't see when these instalments were expected to be paid. Mr H repaid the loan in full two weeks later, just as he did his payday loans. So I'll treat this, and the other instalment loans as payday loans.

Loan 18 was for £225 (£226.80), loan 19 was for £270 (£291.60), and loan 20 was for £480 (£576). The last three loans were for similar amounts. All the loans were repaid early.

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

Wonga said it carried out credit checks and asked Mr H for his monthly income and outgoings. Mr H said he earned £2,550 for loan one, £1,700 for loans two to four, and £1,900 for loans 16 to 23. I can't see the results of Wonga's questions about Mr H's outgoings, so I can't consider them.

I agree with the adjudicator that Wonga should have made further checks for loan one. The amount Mr H was expected to repay was considerable. I think Wonga should have asked him about his outgoings for his normal living costs and his regular bills to check that he could afford to repay this. As I can't see what these checks found, I can't say that Wonga's checks were sufficient.

I've looked at Mr H's bank statements from the time to get information about his outgoings, but Wonga could easily have asked Mr H for it. From these and other information Mr H has provided, I think that if Wonga had made sufficient checks it would have seen that the loan was affordable. So I can't say it was wrong to approve it.

Loan 16 was taken out two years after loan 15. So I think Wonga could reasonably have thought that Mr H's finances may have improved and treated the loan afresh rather than as part of a sequence and so made the checks that were appropriate. The loan was small compared to Mr H's stated income. So I think Wonga's check was proportionate and sufficient. I can't say it was wrong to approve it.

Loan 17 was much larger. And so I think Wonga should have asked Mr H about outgoings for his normal living costs and his regular bills to check that he could afford to repay this and loans 18 to 19. Again I've looked at Mr H's bank statements for this information. I think if Wonga had made these checks it would have found that Mr H could afford his repayments.

Loan 20 was Mr H's fifth loan in as many months. I think this should have alerted Wonga to make further enquiries into Mr H's financial circumstances to check that he wasn't dependent on its loans.

I think these enquiries would have shown Wonga that Mr H's outgoings for his bills and credit commitments exceeded his income and he was also gambling heavily. So I think that if Wonga had made sufficient checks it would have decided that it wasn't responsible to give Mr H any further loans. So I think it was wrong to lend Mr H loans 20 to 23.

my final decision

My final decision is that I uphold this complaint in part. I require WDFC UK Limited (trading as wonga.com) to do the following:

1. Refund Mr H the interest and charges he paid on loans two to 15, as it's already agreed to do, and on loans 20 to 23, adding interest at 8% simple per annum from the date of payment to the date of settlement.

2. HM Revenue & Customs requires Wonga to withhold income tax from that interest. It must give Mr H a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr H's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 October 2017.

Phillip Berechree
ombudsman