

## complaint

Mr B complains that WDFC UK Limited (trading as Wonga) did not carry out sufficient affordability checks before lending to him and provided him with loans that were unaffordable.

## background

Mr B raised his complaint in regard to the loans he took out with Wonga from October 2015. He says that at the time of the loans his credit score was low and that he was taking out payday loans every month and making use of payday lenders other than Wonga. He says that if Wonga had carried out sufficient checks it would have realised that he was reliant on short term lending.

Mr B says that he was taking out new loans to repay his existing loans and to pay for his gambling. He says the loans were unaffordable and he had to have help from his family to deal with his situation.

Table of loans that are part of this complaint

Loan	Amount	Date
25	£300	13 Oct 2015
26	£200	3 Nov 2015
27	£250	28 Dec 2015
28	£200	13 Feb 2016
29	£476	29 Feb 2016
30	£375	15 Apr 2016
31	£476	4 May 2016
32	£461	13 Jun 2016
33	£670	29 Jun 2016
34	£250	16 Aug 2016
35	£100	26 Sep 2016
36	£400	14 Oct 2016
37	£450	31 Oct 2016
38	£400	17 Nov 2016
39	£500	28 Nov 2016
40	£150	1 Dec 2016
41	£300	3 Dec 2016
42	£235	30 Dec 2016
43	£235	4 Feb 2017
44	£476	7 Mar 2017
45	£150	5 Apr 2017
46	£375	9 May 2017
47	£400	10 Jun 2017
48	£200	17 Jul 2017

Wonga says that before lending to Mr B it checked his income, employment status, dependents and home ownership amongst other things and it was reasonable that it relied on the information it was provided. It also carried out a credit check. It says that it did not

have any information that suggested Mr B was experiencing financial difficulties at the time the loans were provided. In its final response letter, Wonga did not uphold Mr B's complaint.

Our adjudicator said that Mr B took out around 48 loans with Wonga between 2011 and 2017 but was only complaining about loan 25 onwards. He thought that the checks carried out before loan 25 and the subsequent loans were provided were not sufficient. He said that by the time loan 25 was provided Wonga had been repeatedly lending to Mr B and that by this point he would have expected it to carry out a full review of Mr B's financial situation taking into account his regular and short term commitments.

Our adjudicator said that having looked through Mr B's bank statements at the time of loan 25, Mr B had no disposable income. He said that Mr B was regularly gambling online and that he did not have the money available to make his repayments. Our adjudicator said that Mr B's situation remained similar while the subsequent loans were provided. Because of this he recommended that Mr B be refunded the interest and charges on loans 25 onwards and that these loans were removed from Mr B's credit file.

Wonga noted the loans Mr B was complaining about (loans 25 to 48). It said that before providing the loans it carried out a credit check and checked Mr B's repayment history. It also said that it checked Mr B's income and expenditure and found he had a disposable income of between £600 and £900 per month. It says this was enough to cover the cost of his loan repayments. It said that Mr B did not say he was in financial difficulty when the loans were being provided and as his repayment history was good it had no particular reason to carry out a thorough review of his financial situation.

Wonga offered to refund the interest and charges on loans where the repayment amount was in excess of £500 as it noted Mr B may have struggled to repay these. It did not include the flexi loans in this offer. This offer meant a refund in relation to loans 29, 31, 32 and 44. It also offered to remove these loans from Mr B's credit file.

Mr B did not accept 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.

Mr B took out numerous loans with Wonga the more recent of which are the subject of this complaint. Before agreeing to lend to Mr B, Wonga had to make sure each time that he could afford to repay the loans. Affordability checks should be proportionate. What is proportionate depends on things like – but not limited to – the size of the loan, the repayments, what Wonga knew about Mr B and the things he told it about his circumstances.

The first loan in this complaint was taken out in October 2015. Before this loan, Mr B had taken out 24 loans with Wonga. While the first 24 loans are not part of this complaint, I have looked at the timing of these loans and can see that Mr B took out a loan in July 2015 and another in June 2015. The loan prior to that was taken out in December 2014. So while there was a break after the December 2014 loan of just over six months, I think it reasonable that Wonga would have considered loan 25 (the first in this complaint) to be part of the loan chain with the two previous loans. I also think that given Mr B's history of borrowing Wonga should have noted this when deciding what checks would be reasonable.

I understand the comments Wonga has made about Mr B's repayment history and the disposable income amounts it had based on the information it had received. However, given Mr B's frequent borrowing from Wonga before loan 25 was provided, I find that Wonga should have been concerned that he was reliant on short term borrowing. Because of this and given the number of loans Mr B had taken out, I think it would have been reasonable for Wonga to have carried out a full review of Mr B's financial circumstances to ensure that loan 25 and all subsequent loans were affordable.

I have looked through Mr B's bank statements which cover the period of loans 25 to 48. At the time of these loans I can see that the monthly income figure Wonga had recorded was similar to the amount shown on the statements. I think it was reasonable that Wonga relied on this figure.

I have also considered the information Mr B provided about his expenses. In the information Mr B has provided to this service his expenses came to over £900. The information recorded by Wonga starts at expenses of £530 for loan 25 and then increases to £700 at loan 28 and then to £800 at loan 40. Having looked through Mr B's statements, it does appear that his regular expenses including credit commitments were higher than he had recorded with Wonga.

At the time of the loans, Mr B was not only borrowing from Wonga but also from other short term lenders. At times he was also spending significant amounts of money on online gambling sites. So, while I can see that based on the information Mr B had provided Wonga could have considered his disposable income sufficient to cover repayments on all but the largest loans, I find that had it carried out a review of Mr B's financial circumstances it would have realised that his outgoings were much higher than he had recorded. Given the higher outgoings, Mr B did not have the money available to make his repayments.

While Mr B was making his repayments, he was borrowing from other sources to do this and to continue to pay for his outgoings. Based on this I find that had a review been carried out before loan 25 and the subsequent loans were provided, Wonga would have realised that these loans were not sustainably affordable.

### **my final decision**

My final decision is that I uphold this complaint. WDFC UK Limited should:

- refund all interest and charges that Mr B paid on loans 25 to 48;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*; and
- remove any negative information about loans 25 to 48 from Mr B's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 March 2018.

Jane Archer  
**ombudsman**