

## complaint

Mr J complains that WDFC UK Limited (trading as Wonga) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges, removes information about the loans from his credit file and writes off the balance.

## background

Mr J took out 52 loans with Wonga between May 2011 and April 2017. He says he borrowed successively from Wonga and other short term lenders and was in financial difficulty.

The adjudicator recommended that the complaint should be upheld. She said while Wonga should have made further checks, loans one to three appeared affordable. But after meeting his normal living costs, financial commitments and the repayments for the later loans Mr J didn't have enough income left to meet any unexpected costs. And he was spending a proportion of his income on gambling. Further borrowing wasn't sustainable and it was irresponsible for Wonga to lend to him.

The adjudicator said Wonga should refund interest and charges on the fourth loan (August 2011) and later loans, with interest at 8%, and remove adverse information about the loans from Mr J's credit file.

Wonga agreed that 24 of the loans, where Mr J made a repayment of more than £1,000, weren't affordable. It offered to refund interest and charges on these loans with 8% interest (totalling about £9,600). Mr J declined the offer.

### *My provisional decision*

I didn't agree with all of the adjudicator's recommendations. So I sent a provisional decision to the parties to explain why and to give them an opportunity to comment and provide further evidence. In my provisional decision I set out the following provisional findings:

#### *Loans 1 and 2*

*Mr J took out the first loan, of £300, in May 2011 and the second loan, of £469, in June 2011. He told Wonga his monthly income was £2,000. I think, given the amount of the loans and Mr J's stated income, Wonga should have asked about Mr J's normal living expenses and his regular financial commitments.*

*Mr J had living expenses of about £800 and regular financial commitments of about £500 in May 2011. Had Wonga asked Mr J about his outgoings, it's likely the information it would have received would have suggested these loans were affordable.*

#### *Loans 3 and 4 (July and August)*

*Given the amounts of the loans and Mr J's stated income, I think Wonga should have asked about Mr J's short term commitments as well as his normal living expenses and regular financial commitments before the third and fourth loans (of £488 and £500 respectively). And, by this time, Mr J had taken out four loans in three months and the amounts increased each time. This could suggest a possible problem, such as reliance on short term loans.*

*In June 2011 Mr J's living expenses were about £820 and his regular financial commitments were about £930. I think his payments to credit card accounts were unusually high in*

*June 2011. I think it's more likely, if asked, Mr J would have said his regular monthly financial commitments were about £500, as they were in May 2011.*

*Mr J had short term commitments of about £135 outstanding when he took out the third loan and about £200 outstanding when he took out the fourth loan. I don't think, after meeting his normal living expenses and existing financial commitments, Mr J had enough income to meet the repayments for loans 3 and 4 (of £596 and £620).*

#### *Loan 5 (August 2011)*

*Mr J took out the fifth loan, of £650, at the end of August 2011. This was his fifth loan in less than four months and the amounts increased each time. The loan required a repayment of £818. Given Mr J's borrowing pattern, the amount of the loan and Mr J's stated income, I think Wonga should have made further checks. I think it should have asked for information to gain a full understanding of Mr J's financial circumstances. There are different ways of doing this. I've looked at Mr J's bank statements as this is the best evidence available to me about his financial circumstances when he took out the loan.*

*Mr J's monthly living costs were about £820. He had regular financial commitments of £500 in May, £930 in June, £190 in July and £300 in August 2011. I think it would have been reasonable for Wonga to assume Mr J's regular financial commitments were between £300 and £500. He had short term commitments of £145 outstanding when he took out the fifth loan. Mr J didn't have enough income to meet his living expenses, existing commitments and the loan repayment and Wonga would have known this if it had made proportionate checks.*

#### *Loans 6 to 11 (September 2011 to March 2012)*

*These loans required repayments of more than £1,000. Wonga has offered to refund interest and charges on these loans. As this is what I'd require it to do if I found the loans weren't affordable, I won't consider them further here.*

#### *Loan 12 (April 2012)*

*Mr J took out a loan and two top up loans in April 2012 totalling £700. Mr J said his income was £2,050. In the previous six months Mr J had taken out six loans requiring repayments of more than £1,000. This loan and top ups required a repayment of £810. I think, given Mr J's pattern of borrowing, Wonga should have made further checks. It should have asked for information to gain a full understanding of Mr J's financial circumstances. I've looked at Mr J's bank statements as this is the best evidence I have of his financial circumstances at that time.*

*In March and April 2012 Mr J's monthly living expenses and regular financial commitments (mostly payments to credit card accounts) were about £900. In March 2012 he made payments to other short term lenders of about £454, some of which appear to be instalment payments. He borrowed about £270 (on which he would have owed interest) from other short term lenders during March. By the end of March 2012 Mr J's account was overdrawn by more than £1,000.*

*I think Wonga should have considered whether Mr J was borrowing to repay existing debts and whether further borrowing was affordable and sustainable. I think if it had looked more carefully at Mr J's circumstances it wouldn't have assessed this loan as affordable.*

*Loans 13 to 27 (May 2012 to July 2013)*

*These loans required repayments of more than £1,000. Wonga has offered to refund interest and charges on these loans. As this is what I'd require it to do if I found they weren't affordable, I won't consider them further here.*

*Loan 28 (January 2014)*

*Mr J took out loan 28, of £800, in January 2014. The loan required a repayment of £926. Mr J said his income was £2,500. I think, given Mr J's pattern of borrowing Wonga should have made further checks. I think it should have asked for information to gain a full understanding of Mr J's financial circumstances. I've looked at Mr J's bank statements as this is the best evidence I have of his financial circumstances at that time.*

*In December 2013 Mr J made payments to gambling businesses of more than £1,000. He'd also made a large number of payments to gambling businesses in October and November 2013. While there are some credits, I think the number and overall amounts involved should have alerted Wonga to a possible gambling problem. In December 2013 Mr J made payments to other short term lenders of more than £1,000 for what mostly appear to be instalment loans. He borrowed another £250 from a short term lender. There's a rent payment of £400 and payments for travel and insurance of £175. I think, if Wonga had looked more carefully at Mr J's circumstances, it would have known the repayment for loan 28 wasn't affordable.*

*Loans 29 to 31 (January 2014 to March 2014)*

*These loans required repayments of more than £1,000. Wonga has offered to refund interest and charges on these loans. As this is what I'd require it to do if I found the loans weren't affordable, I won't consider them further here.*

*Loans 32 to 45 (December 2014 to May 2016)*

*These loans required repayments of between £500 and £970. Mr J said his monthly income was £2,600. Loan 32 required a repayment of £913. While there'd been a break in Mr J's borrowing, I think, given his borrowing history and the amounts of the loans Wonga should have made further checks. I think it should have asked for information to gain a full understanding of Mr J's financial circumstances. I've looked at Mr J's bank statements as this is the best evidence I have of his financial circumstances at that time.*

*In November and December 2014 Mr J's living expenses were about £790. Between taking out loan 32 and the end of December 2014 Mr J paid nearly £700 to other short term lenders, some of which appear to be instalment payments. As there are no credits from these lenders in this time I think these loans were outstanding when Mr J took out loan 32. Mr J borrowed £570 from another short term lender.*

*There are also a number of gambling transactions. Mr J made payments of nearly £1,000 to gambling businesses in December 2014. He also made payments to gambling businesses in October and November 2014. While there are some credits, I think the number and overall amounts involved should have alerted Wonga to a possible gambling problem.*

*Mr J's bank statements show continued use of short term loans. For instance, Mr J made payments to other short term lenders of more than £1,500 in April, over £600 in September and nearly £650 in December 2015. There are payments to gambling businesses throughout.*

*I think Wonga should have considered whether Mr J was taking out loans to repay existing debts and to fund a gambling problem. I don't think this borrowing was affordable or sustainable and Wonga would have known this if it had carried out proportionate checks.*

*Loan 46 (May 2016)*

*This loan required a repayment of more than £1,000. Wonga has offered to refund interest and charges on this loan. As this is what I'd require it to do if I found the loan wasn't affordable, I won't consider it further here.*

*Loans 47 to 50 (August 2016 to January 2017)*

*These loans required repayments of between £573 and £840. Mr J said his income was £2,600. I think, given Mr J's pattern of borrowing, Wonga should have made further checks. I think it should have asked for information to gain a full understanding of Mr J's financial circumstances. I've looked at Mr J's bank statements as this is the best evidence I have of his financial circumstances at that time.*

*Mr J's monthly living expenses at this time were about £850 and he had regular financial commitments of about £200. His monthly income was just under £2,000. He had an overdraft which I consider significant relative to his income and had payments returned unpaid. Between taking out loan 47 and the end of August 2016 Mr J made payments to other short term lenders of about £530. He paid over £1,200 to short term lenders in November 2015. There are a number of gambling transactions. Mr J made payments to gambling businesses of about £300 in August 2016 and nearly £500 in November 2016. While there are some credits, I think Wonga should have been alerted to a possible gambling problem.*

*I don't think further borrowing was affordable or sustainable and Wonga would have known this if it had carried out proportionate checks.*

*Loan 51 (January 2017)*

*This loan required a repayment of more than £1,000. Wonga offered to refund interest and charges on this loan. As this is what I'd require it to do if I found the loan wasn't affordable, I won't consider it further here.*

*Loan 52 (April 2017)*

*Mr J took out a £750 loan in April 2017. Mr J said his income was £2,600 and his expenditure was £1,250. I think, given Mr J's pattern of borrowing, Wonga should have made further checks. I think it should have asked for information to gain a full understanding of Mr J's financial circumstances. I've looked at Mr J's bank statements as this is the best evidence I have of his financial circumstances at that time.*

*In March 2017 Mr J's living expenses were about £1,200 (plus about £200 for vet's fees). He paid over £1,500 to other short term lenders and borrowed £1,100. His income was less than £2,000. There are payments to gambling businesses. I don't think further borrowing was affordable or sustainable and Wonga would have known this if it had made proportionate checks.*

*I don't think Wonga should have agreed to lend to Mr J after, and including, the third loan (taken out in July 2011). So for each of those loans Wonga should:*

- Refund all interest and charges that Mr J paid on the loans;*

- *Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\**;
- *Write off any unpaid interest and charges, apply the refund to reduce any capital outstanding and pay any balance to Mr J\*\**;
- *Remove any negative information about the loans from Mr J's credit file.*

*\*HM Revenue & Customs requires Wonga to take off tax from this interest. It must give Mr J a certificate showing how much tax it's taken off if he asks for one. If Wonga intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.*

*\*\*Wonga can take account of any capital it has already written off and reduce the compensation accordingly.*

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Both Wonga and Mr J agreed with my provisional decision. In the circumstances, I see no reason to change my findings from those set out above and in my provisional decision.

### **my final decision**

My decision is that I uphold this complaint. I order WDFC UK Limited to:

- Refund all interest and charges that Mr J paid on the third loan (taken out in July 2011) and the later loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- Write off any unpaid interest and charges applied to the third and later loans, apply the refund to reduce any capital outstanding and pay any balance to Mr J\*\*;
- Remove any negative information about the third and later loans from Mr J's credit file.

*\*HM Revenue & Customs requires WDFC UK Limited to take off tax from this interest. It must give Mr J a certificate showing how much tax it's taken off if he asks for one. If WDFC UK Limited intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.*

*\*\* WDFC UK Limited can take account of any capital it has already written off and reduce the compensation accordingly.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 15 January 2018.

Ruth Stevenson  
**ombudsman**