

complaint

Mr L is unhappy with the way WDFC UK Limited (trading as Wonga.com) has dealt with him and says his payday loans weren't affordable and its lending was irresponsible.

background

Mr L took out some nine loans with Wonga in 2009.

Mr L says he was caught in a payday loan debt trap. He borrowed more and more each month and the loans weren't affordable. He complains about Wonga's debt collection practices saying it was aggressive and repeatedly rang him at work. He's also unhappy with its interest rate and charges. He wants a refund of the amounts he's paid under duress amounting to £2,000 plus compensation for a lost promotion at work which he says amounts to another £15,000.

Wonga has paid Mr L £50 compensation for its historical debt collection practices. It's also written off his outstanding balance.

Our adjudicator recommended that this complaint should be upheld. In summary she considered that:

- By the time Mr L took out the fifth loan it's clear he was borrowing more and relying on the loans. He was also taking out a new loan on the same day he paid off the old one. Wonga should've been aware he was relying on its payday loans. So, Wonga should repay all interest and charges from loan 5 onwards.
- Wonga's offered Mr L £50 compensation as part of its scheme for dealing with its historical debt collection practices. Mr L asked for an individual assessment as he says it should also compensate him for the fact he lost a promotion at work as a result of it phoning him there. It's reasonable for Wonga to ask for more information from Mr L when dealing with this.
- But £50 isn't enough to compensate Mr L for Wonga's treatment of him. On a number of occasions he tried to set up a repayment plan but Wonga ignored this and calls continued. The calls were often aggressive. It also ignored his complaint. Wonga's admitted making the calls. It should therefore pay an additional £100 for this on top of the £50 compensation it's offered for the historical debt collection practices.
- Wonga can't be held responsible if Mr L took out other payday loans.

Mr L says he was in a cycle of debt. He would prefer the refund of interest and charges to be from March 2009 when his borrowing began to escalate. But he's happy that the adjudicator's suggestion is fair.

Wonga hasn't responded to the adjudicator's opinion.

my findings

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

I agree with the adjudicator's conclusions for broadly the same reasons.

I think Mr L's account history of repeatedly taking out one loan after another should've quickly alerted Wonga to the fact that he may have been in financial difficulty, the loans may have been unaffordable and he was reliant on short term lending.

I agree with the adjudicator that it would've been reasonable for Wonga to have reached this conclusion – at latest – by the time of the fifth loan on 18 April 2009. Had it done so it would've been appropriate for it to have asked for more information from him and carried out more thorough affordability checks. I think that would, more likely than not, have led it to conclude that he was at that time in financial difficulties, the loans were unaffordable and he was reliant on short term lending. As a result the loans from 18 April 2009 would've, most likely, not been granted. Consequently, I think that the lending on and after that date was irresponsible.

I note from the account history sent in by Wonga the outstanding debt on Mr L's account was apparently sold to a third party on 21 July 2011. But given Wonga's handling of historical debt collection practices it's not clear if this was in fact the case. And I also see Wonga has also more recently written off the outstanding amount on the account which suggests it still owned the account and the outstanding debt. If however Mr L's account is still owned by a third party and Mr L accepts my final decision, I think it's also reasonable for Wonga to reacquire his account, if it's necessary for it to do so, to fully comply with my award set out below.

Overall, I agree with the adjudicator that it's a fair and reasonable resolution of this complaint for Wonga to refund to Mr L all the interest and charges he's actually paid on his account from 18 April 2009. It should also pay him interest on the payments from the date they were made until settlement.

Mr L says Wonga's actions led to him losing a promotion at work. But I don't think he's established that this was the case or that, if so, it was Wonga's fault. So, I don't think I can fairly or reasonably require Wonga to pay Mr L £15,000 or any compensation for the loss he says he suffered as a result.

But I do agree with the adjudicator that Wonga should pay Mr L an additional £100 compensation for the way it's dealt with him. This is in addition to the £50 it's paid for the historical debt collection practices.

Furthermore, as the loans from 18 April 2009 shouldn't have been granted I think it's also reasonable for Wonga to remove all reference to them on Mr L's credit file.

my final decision

For the reasons I've discussed above my decision is that I uphold this complaint and I require WDFC UK Limited (trading as Wonga.com), if it hasn't already done so:

1. To refund to Mr L all interest and charges he paid on all loans from 18 April 2009 plus simple interest at the rate of 8% a year from the date of each payment until the date of settlement; and
2. To remove all information on Mr L's credit file relating to all loans taken out from 18 April 2009; and
3. To pay Mr L £100 compensation (in addition to the £50 already paid for the historical debt collection practices).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 18 January 2016.

Stephen Cooper
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