

complaint

Mr R complains that WDFC UK Limited trading as Wonga ("Wonga") lent him money irresponsibly and let him roll over payday loans. He wants all the interest and fees he'd paid refunded, together with interest, and the loans removed from his credit records.

background

Mr R took out 28 payday loans with Wonga over a three year period. He topped up the loans 33 times and paid the first one late. He said the loans were unaffordable and trapped him into a debt spiral as the repayments took too much out of his income, forcing him to borrow again. Mr R said Wonga should've known about his financial difficulties from both the number of loans and late payments, and if it had carried out checks. He said he told Wonga in 2013 that he was struggling, but it still lent more money to him. Mr R was also borrowing from other payday lenders.

Mr R complained to Wonga. It wasn't able to respond within eight weeks so Mr R complained to us. He also wanted compensation for Wonga's handling of the complaint.

Wonga told Mr R and us that it was willing to repay £2,270 and partially upheld Mr R's complaint as it accepted that it had made mistakes in the past. But it said Mr R only paid late once and there were gaps between some of his loans; Wonga thought only some of the loans had been unaffordable, so only offered compensation for eight loans between December 2012 and December 2013. Mr R disagreed and said all of the loans were unaffordable.

The investigator's view was that most of the loans given by Wonga to Mr R were unaffordable. She thought the first loan didn't need Wonga to do more than ask Mr R about his finances and wasn't unaffordable, despite being paid late. But after this, Wonga should've asked more questions as Mr R did pay the first loan late. And the investigator noted Mr R's pattern of lending showed he was dependent on payday lending and if Wonga had carried out credit checks when it gave him the second loan in 2011 it would've noted the other loans with payday lenders. She also noted Wonga had removed all the loans from Mr R's credit records.

The investigator said Wonga should refund all the interest and fees paid by Mr R on the loans from 16 July 2011 onwards, together with 8% interest. She also thought it should pay him £100 for the trouble and upset caused to Mr R. Wonga disagreed. It said the amount lent was low compared to Mr R's income and said the breaks in borrowing showed Mr R wasn't dependent on payday lending.

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 that for the first loan Wonga did carry out proportionate checks as to Mr R's ability to pay. I note Mr R did pay the loan late, but in itself that doesn't mean the loan was unaffordable. Even if Wonga had looked at Mr R's bank statements at the time, I don't think it would've made any difference as the statements didn't show the loan was unaffordable in my view.

But I also agree with the adjudicator that from the second loan onwards, Wonga didn't carry out proportionate checks. It knew Mr R had paid the first loan late, and some of the loans were for a significant sum, such as £1000. I can't agree with Wonga that many of the loans had a low loan to income ratio. I also note that there were 33 top ups to the loans and the pattern of lending was such that I think it was clear Mr R was dependent on payday lending.

Wonga said that there were breaks in lending. But if it had carried out more appropriate checks it would've known Mr R had other payday loans and was struggling financially. It's clear from the records Mr R was borrowing from one and then others and couldn't afford to repay the loans.

I think it's fair and reasonable for me to require Wonga to repay all interest and fees paid by Mr R for loans taken out since 16 July 2011, together with 8% simple interest from the date of payment until the date of the refund. Wonga has already removed the loans from Mr R's credit records, but I also agree it should pay £100 for the trouble and upset caused by the handling of his complaint.

my final decision

My final decision is that I uphold the complaint and WDFC UK Limited trading as Wonga should repay Mr R all the interest and fees paid for loans taken from 16 July 2011 onwards together with interest as outlined above and £100 compensation for his trouble and upset. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 12 September 2016.

Claire Sharp
ombudsman