

complaint

Mr M complains that WDFC UK Limited (trading as Wonga.com) gave him unaffordable payday loans. He wants a refund of the interest he paid.

background

Mr M took out three loans from Wonga in 2011. He repaid the first two, but the third one was eventually written off after Mr M had made some repayments. Mr M said the loans were unaffordable. He said Wonga encouraged him to borrow and he had to take out other loans to pay them off. But Wonga said the loans were small and manageable for Mr M. It didn't think they were unaffordable.

Our adjudicator recommended that the complaint should be upheld in part. He checked Mr M's bank statements. He didn't think the first two loans were unaffordable. But when Mr M took out his third loan he was spending a lot of his income on payday lending.

The adjudicator didn't think Wonga had checked that this loan was affordable. Wonga had asked Mr M for his income when he asked for the first loan. But it didn't look at his outgoings, so he didn't think it had sufficiently checked that the loan was affordable.

So the adjudicator recommended that Wonga should refund the interest and charges, with interest, for the third loan and remove this from Mr M's credit file.

Wonga replied that it had already written off a lot of the outstanding balance for the third loan.

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 can see that Mr M had three loans from Wonga over a short period. He borrowed £160.00 in March 2011, £200.00 in April and then £320.00 topped up to £470.00 in May. Mr M paid back £686.15 towards this loan before it was eventually sold on.

The outstanding amount was later written off under a forbearance scheme Wonga agreed with the regulator, the Financial Conduct Authority (FCA). But Wonga hasn't raised this as an issue that would hinder me making a decision.

Lenders are obliged to make sufficient and proportionate checks to make sure that loan repayments are affordable without undue hardship.

Wonga told Mr M that it had checked the affordability of his loans. It said it asked for his income, which is recorded on his file as £986.00. It said it carried out checks with credit reference agencies, but I can't see what these found. It also said it looked at the frequency of loans and any signs of financial difficulties.

I can see that Mr M had difficulties repaying his first loan. He incurred one late fee but did clear his arrears. As far as I can see he repaid his second loan without any trouble. But on the same day he repaid this he borrowed £320.00 and then a £50.00 top up.

When Mr M applied for another top up for his third loan, I can see from its records that Wonga asked him for a bank statement. I can't see that Wonga received this, but it then approved a top up of £100.00. Then Mr M fell into difficulties with his repayments.

I agree with the adjudicator that Wonga made proportionate and sufficient checks that the first two loans were affordable. They were within Mr M's stated income.

But I think Wonga should have been alert, as it said it aimed to be, to Mr M's pattern of borrowing. He borrowed again on the same day he repaid loan two. The new loan was much larger and then he asked for top ups. I think this should have alerted Wonga to make further checks that Mr M could afford to repay this loan. It could have asked him about his outgoings, for example.

Mr M has provided us with his bank statements from the time. Whilst these show that he was able to afford the first two loans, by the time of the third loan he was borrowing to pay back other lenders. He was incurring fees for using his overdraft. I think if Wonga had made further checks, such as looking at his bank statement, it would have realised that this loan was unaffordable for him and declined it. So I think this was irresponsible lending.

Wonga has agreed with the FCA to waive the outstanding debt on this loan. But Mr M has paid back more than the principal he borrowed. As the loan shouldn't have been given in the first place, I think Wonga should refund Mr M the £216.15 interest and charges he paid for this loan, with interest, and remove it from his credit file.

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 M the £216.15 interest and charges he paid for the third loan, adding interest at 8% per year from the date of payment to the date of settlement.
2. Remove this loan from Mr M's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 September 2016.

Phillip Berechree
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