

complaint

Miss S complains that WDFC UK Limited (trading as Wonga) gave her loans that she couldn't afford to repay.

background

Miss S first borrowed from Wonga in November 2013. She continued to borrow from Wonga until December 2015. Over that time Miss S was given a total of 25 separate loans, and allowed to top up these loans on another five occasions. So in total, Wonga lent to her on 30 separate occasions. Miss S repaid all these loans, although it seems she had some difficulties in repaying her last loan.

When it first considered Miss S's complaint, Wonga told her that it thought three of her loans (taken in June, July and August 2014) had been unaffordable. So it offered to refund her the fees and interest she had paid on these loans. But Wonga didn't agree that it had done anything wrong in relation to the other loans Miss S took. So she brought her complaint to this Service.

Miss S's complaint has been assessed by one of our adjudicators. He thought that Miss S shouldn't have been approved for several of the loans Wonga gave her. So he recommended that Wonga should pay Miss S some compensation. Wonga has told us that, although it is still willing to pay Miss S compensation on three of her loans, it disagrees with the rest of the assessment. Miss S didn't accept Wonga's offer so Wonga has asked, as it is perfectly entitled to, that the complaint be decided by an ombudsman.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Wonga was required to lend responsibly. It needed to make sure that Miss S could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to the amount Miss S was borrowing, but there was no set list of checks it had to do.

Wonga has told us about the checks that it normally performs. It has explained a number of criteria that, if met, would result in a loan application being declined. And it has also shown us some screens that it has recently added to gather information about a consumer's income and normal monthly expenditure.

But Wonga hasn't been able to show us the checks that it actually performed on Miss S's applications, or any results that these generated. So I can't be sure that Wonga performed proportionate checks when assessing most of Miss S's applications. So, in these cases, I've gone on to consider whether I think the loans she took were affordable.

I've thought about Miss S's history of lending with Wonga. And I've looked at her circumstances at the time – both in terms of how she was managing her finances and her normal monthly income and expenditure. This was information that would have been available to Wonga through looking at Miss S's credit file, and by asking her about her normal monthly expenditure – or looking at her bank statements as I have done.

I have reached the same conclusions as our adjudicator. I think that twelve of the loans were affordable given Miss S's circumstances at the time – but the other thirteen loans she was given weren't.

Wonga has shown us that it recorded Miss S's normal monthly income. And it looks like it took some other information such as her residential status and employer. I don't know when it took this information but I think it likely this is information it would have asked for when Miss S first applied for a loan. She applied for two loans within the same month (November 2013) and since these loans were relatively small, and appear to be the first short term loans Miss S had taken, I think the checks Wonga performed were proportionate.

After repaying these two loans, Miss S applied for another loan from Wonga just over a week later. And she took another two loans shortly afterwards. I think that by the time Miss S had asked for her third loan Wonga should have become more concerned about her lending pattern and should have undertaken some more checks. I haven't seen evidence that this was done – and I don't think that the initial checks that Wonga undertook were sufficient from this point. So I've looked at whether Miss S could afford the rest of her loans.

Around this time Miss S appears to have stopped work, and seems to have been receiving state benefits. So this had a significant impact on her disposable income. I don't think that she could afford to repay, in a sustainable way, the loans she took in December 2013 and January 2014.

It seems that Miss S then returned to work – she needed to borrow less frequently from Wonga, and the loans she took appear to have been affordable until the middle of the year. At that time (in June 2014) the amount that Miss S asked to borrow increased substantially, and although she still had some disposable income, it wouldn't have been enough to repay the loans. So I think that the loans she took in June, July and August 2014 weren't affordable – it is these three loans that Wonga agreed were unaffordable when it first responded to Miss S's complaint.

There weren't any material changes in Miss S's income and expenditure after this time – but the loans she was asking Wonga to give her were, for a while, far smaller. So I think that the loans she took in September and November 2014, and February, March and April 2015 were affordable for her.

But after this point, the amounts that Miss S was borrowing increased – and at the same time her disposable income decreased slightly. It looks as though she needed to borrow from friends and family as well as Wonga to service her existing commitments and day to day living expenses. So I don't think the loans she took from this point – from June 2015 to December 2015 – were affordable.

I have considered that Miss S repaid all except the last of her loans on time. And so it could be argued that this demonstrates they were affordable to her. But I don't agree – it seems to me that Miss S was only able to repay some of her loans by borrowing from her friends and family. This wasn't a sustainable way for Miss S to manage her finances and so doesn't indicate to me that all the loans were affordable.

I haven't seen enough to make me think that Wonga performed sufficient checks before it agreed to lend to Miss S. And I think that 13 of the loans she was given were unaffordable considering her circumstances at the time. So Wonga needs to pay her some compensation.

putting things right

I don't think that Wonga should have given Miss S the following loans;

<i>Date</i>	<i>Amount</i>
17/12/2013	£100.00
28/12/2013	£100.00
04/01/2014	£150.00
21/06/2014	£500.00
17/07/2014	£500.00
15/08/2014	£580.00
09/06/2015	£330.00
13/08/2015	£330.00
16/09/2015	£250.00
29/09/2015	£202.00 plus two top up loans totalling £56
19/10/2015	£250.00
07/11/2015	£250.00 plus two top up loans totalling £82
05/12/2015	£361.00

For each of these loans WDFC UK Limited should;

- Refund the interest and charges applied to them.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement *.
- Remove any adverse information recorded on Miss S's credit file in relation to the loans I am asking to be refunded.

*HM Revenue & Customs requires WDFC UK Limited to take off tax from this interest. WDFC UK Limited must give Miss S a certificate showing how much tax it's taken off if she asks for one

my final decision

My final decision is that I partially uphold Miss S's complaint and direct WDFC UK Limited to pay her fair compensation as detailed above.

I make no other award against WDFC UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 12 October 2016.

Paul Reilly
ombudsman