

complaint

Mrs G complains that WDFC UK Limited (trading as Wonga) made short-term loans to her when it shouldn't have.

background

In 2012 Wonga made five loans to Mrs G. She later complained that they hadn't been affordable for her.

The adjudicator recommended that the complaint should be upheld in part. He didn't think Wonga should've lent from the second loan onwards. He recommended that Wonga should:

1. refund all interest and charges that Mrs G paid from the second loan onwards;
2. pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement;
3. remove any adverse information about the upheld loans from Mrs G's credit file.

Wonga disagrees with the adjudicator's opinion. It says, in summary, that its checks were proportionate to the amounts borrowed and – from the information it had at the time of each loan - it found no indication that the loans were unaffordable.

my findings

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

Before agreeing to lend to Mrs G, Wonga had to check each time that she could afford to repay the loan. Affordability checks should be proportionate. There's no set list of proportionate checks. What's proportionate depends on things like – but not limited to – the size of the loan repayments and the information Wonga had about Mrs G.

From its records and her bank statements, I think Wonga's lending to Mrs G was as follows:

loan number	date of loan	amount of loan	date loan repaid
1	7 January 2012	£150	13 January 2012
2	23 January 2012	£494	15 February 2012
3	16 February 2012	£591	8 March 2012
4	30 April 2012	£766	13 July 2012
5	15 July 2012	£873	9 November 2012

From its file I accept that – before each loan – Wonga did a credit check. But I don't think a credit check is evidence of affordability.

From its file I also accept that – before each loan – Wonga recorded Mrs G's monthly income as about £2,500. And I find it more likely than not that this figure came from Mrs G.

The first loan was for £150. It should've been enough to cover the repayment on the first loan. So I think Wonga did enough checks before that loan.

About ten days after she repaid the first loan, Mrs G took a much larger loan. It required a repayment within a month of over £600. So I think proportionate checks - at that stage - might've included asking Mrs G about not only her income but also her normal living costs and regular financial commitments and other short-term financial commitments.

But – from its file - I'm not satisfied that Wonga asked Mrs G about her outgoings. Without asking about her expenditure, Wonga couldn't have known whether its lending was affordable for Mrs G. So I don't think it did proportionate checks.

I've thought about what's likely to have happened if – before the second loan – Wonga had asked Mrs G about her outgoings.

I've no reason to think she would've given incorrect information. From her 2012 bank statements, I'm satisfied that she'd given correct information about her monthly income of about £2,500 per month.

Before the second and later loans, Mrs G was repaying large amounts to other lenders. After those repayments and normal living costs, she had little if any disposable income. So she couldn't afford to repay Wonga's second or later loans in a sustainable way- that is without further short-term borrowing.

Therefore, if Wonga had done proportionate checks, I don't think it would've made the second or later loans to Mrs G.

So I find it fair and reasonable to make orders in relation to the second and later loans.

I will order Wonga to refund Mrs G each amount of interest and charges she paid, with interest at our usual rate.

And as I don't think Wonga should've made those loans, I will order it to remove from Mrs G's credit file any adverse information about them.

my final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I order WDFC UK Limited (trading as Wonga) to (in relation to its loans on and after 23 January 2012):

1. refund Mrs G each amount of interest and charges that she paid;
2. add simple interest at a yearly rate of 8% on each such amount from the date Mrs G paid it to the date Wonga refunds it. HM Revenue & Customs requires Wonga to take off tax from this interest. It must give Mrs G a certificate showing how much tax it's taken off if she asks for one;
3. remove adverse information from Mrs G's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 28 July 2017.

Christopher Gilbert
ombudsman