

complaint

Mr W complains that WDFC UK Limited (trading as Wonga) lent money to him that he could not afford to repay.

background

Mr W took out 38 loans with Wonga between October 2013 and February 2017.

Mr W says that the loans were unaffordable and that he was having to borrow to make his repayments. He says that had Wonga carried out proper checks including looking at his credit report it would have realised he could not afford the loans.

Wonga says that before providing the loans it carried out a credit check and combined this with the information it had been provided by Mr W. It says it gathered information including Mr W's salary, employment, residential status, dependents and car ownership and it was allowed to rely on the information Mr W provided. It also considered Mr W's repayment history. It says that based on this information Mr W achieved an acceptable score and the loans were approved.

Wonga says that Mr W took out 32 payday loans and six instalment loans. It says that while he had the payday loans he did not enter any financial difficulty and that he repaid 14 of the 32 loans early. It says there were breaks in the borrowing indicating that he was not reliant on short term lending. It says that Mr W did not contact it about his financial difficulties until he had his last instalment loan. It offered to write off the outstanding balance on the sixth repayment loan and to remove this from his credit file.

Our adjudicator found that the checks carried out for the first two loans were sufficient but that further checks should have been carried out before the other loans were provided. She set out the different checks she thought appropriate for the loans.

Our adjudicator considered loans three onwards in terms of their affordability. She did not find that Wonga was wrong to provide the loans to Mr W. She noted that Wonga had offered to write off the outstanding balance on Mr W's last instalment loan of £452 and remove this from his credit file. She believed this to be fair.

Mr W did not accept Wonga's offer or the adjudicator's view. He said that had Wonga carried out a proper review of his financial situation it would have found that he was taking out short term loans from different companies. He said he was borrowing to repay Wonga and his other loan providers.

Mr W says that his disposable income varied month to month but that through the period of the loans it was low and often negative showing he could not afford his repayments.

my provisional conclusions

I issued a provisional decision on this complaint. I concluded in summary:

- that the checks carried out before the first two loans were provided were sufficient;
- that further checks should have been carried out before the third and subsequent loans were provided;

- a full review of Mr W's financial circumstances should have been carried out before the fifth and subsequent loans were provided;
- that had Wonga carried out what I consider to be sufficient checks it would have seen that by mid 2015, Mr W was making frequent use of short term loans with substantial repayments being required in a number of months. His disposable income had also reduced;
- Mr W's situation deteriorated over the rest of 2015 and through 2016. I thought that had Wonga carried out a review of Mr W's financial circumstances at that time it would have found that lending to Mr W was not sustainable.
- in April 2015, Mr W took out two loans on consecutive days which should have raised concerns. Given Mr W's financial situation at that time and his frequent use of short term lending I thought that Wonga should have realised that the loans provided on and beyond 2 April 2015 were not sustainable.

Mr W accepted my provisional decision and said that he had recently paid off his outstanding loan.

Wonga accepted my provisional decision and provided a calculation of the redress. Its calculation shows total interest and fees on the loans as £1,284.15 with interest (net of tax) being £121. This gives a refund of £1,405.15

my findings

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

As I set out in my provisional decision, I think that sufficient checks were not carried out before the third and subsequent loans were provided. I found that had further checks been carried out Wonga would have seen Mr W's financial situation was deteriorating and as such the loans from and including 2 April 2015 were not sustainable. Both parties accepted my provisional decision and so I uphold this complaint in regard to the loans on and after the 2 April 2015.

my final decision

My final decision is that I uphold this complaint. WDFC UK Limited should:

- refund all interest and charges that Mr W paid on the loan provided on 2 April 2015 and all subsequent loans;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement
- remove any negative information about these loans from Mr W's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 November 2017.

Jane Archer
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