complaint

Miss T complains that WDFC UK Limited trading as wonga.com ("Wonga") gave her loans that were unaffordable.

background

Miss T took out four loans from Wonga between June and November 2016. Here's a summary of her borrowing history:

loan number	loan amount	date taken	date repaid
1	£200	11/06/2016	01/07/2016
2	£250	16/07/2016	02/09/2016
3	£150	05/10/2016	31/10/2016
4	£150	14/11/2016	30/11/2016

One of our adjudicators looked into Miss T's complaint. She thought that the affordability checks Wonga carried out for loan 1 were proportionate, but those for loans 2 to 4 weren't. But even if it had carried out proportionate checks, she thought that Wonga would've still given Miss T the loans as they would've appeared affordable. So our adjudicator didn't think Wonga was wrong to lend to Miss T.

Miss T didn't agree with our adjudicator's findings. In summary, she said that had Wonga completed a full income and expenditure check, and an in depth check of her credit file, it would've seen that she couldn't afford the loans. She also said that she didn't have any disposable income, and she had to take out other loans to repay her borrowing.

Because no agreement was reached, the complaint has been passed to me.

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.

Having done so, I'm not upholding Miss T's complaint. I'll explain why.

Wonga was required to lend responsibly. The Financial Conduct Authority (FCA) was the regulator in place when Miss T took out her loans. Wonga needed to make checks to see whether Miss T could afford to pay back each loan sustainably – before it lent to her. There was no set list of checks it needed to do, but those checks needed to be proportionate to things such as the amount Miss T was borrowing, her credit history and financial position at the time.

The FCA's regulations for lenders are set out in its Consumer Credit Sourcebook (CONC). These regulations – in CONC 5.3.1(2) – require lenders to take *"reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences"*. CONC 5.3.1(6) defines "sustainable" as being able to make repayments without undue difficulty. And it explains that this means borrowers should be able to make their repayments on time while meeting other reasonable commitments, out of their income and savings, and without having to borrow to meet these repayments.

The guidance also lists examples of sources of information for the firm to use in its creditworthiness assessment, which may, depending on the circumstances, include some or all of the following: its record of previous dealings, evidence of income, evidence of expenditure, a credit score, a credit reference agency report and information provided by the customer.

In deciding Miss T's complaint, I first need to look at what Wonga needed to do. And if its affordability checks were proportionate, it's unlikely I'd say Wonga shouldn't have lent to Miss T – unless there was some information it should've taken into account. For example, if the credit checks it ran should've given it cause for concern about Miss T's ability to repay her loans. I'd only look at the affordability of the loans if Wonga's checks didn't go far enough – in other words, what I think it would've likely discovered, had it carried out proportionate checks.

I've looked at the loans Miss T took out – the amounts she borrowed and what she needed to pay back. I've also looked at the results of Wonga's credit search, as well as what information Miss T gave it. And taking everything into account, I think the affordability checks Wonga carried out were proportionate for each loan.

Our adjudicator said that it would've been proportionate for Wonga to ask about Miss T's regular outgoings for loans 2 to 4 – in addition to the questions it did ask. But I can see that Wonga *did* ask Miss T about her expenditure – namely, her expenses towards mortgage/rent, utilities/bills, food, travel, credit commitments and other. And Miss T declared these to be £950 in total for each loan. So with an income of £2,500, as far as Wonga knew, she had £1,550 in disposable income.

Given Miss T's borrowing history and the information Wonga had, I don't think the figures Miss T gave would've seemed implausible. So I think it was reasonable for Wonga to rely on the information she gave, without needing to verify it. And I can't see anything in the credit check results Wonga has given us that should've given it cause for concern about Miss T's ability to repay her loans sustainably.

I accept that Miss T might not actually have had any disposable income left at the time. For example, she says she was paying a significant amount towards other loans. But given Miss T's borrowing history with Wonga, I don't think it needed to ask her specifically about any other short term borrowing commitments she might've had.

As I said above, I think it was reasonable for Wonga to rely on the other information Miss T gave it. And based on that information, all loans appeared affordable. So I can't say Wonga did anything wrong by giving Miss T her loans.

my final decision

For the reasons I've explained, I don't uphold Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 26 February 2018.

Renja Anderson
ombudsman