

complaint

Mrs K complains that WDFC UK Limited (trading as Wonga.com) didn't do proper checks before approving her loan applications.

background

Mrs K had two instalment loans from Wonga between May 2017 and August 2017 as follows:

Loan	Date	Amount	Term	Instalment	Repaid	Status
1	11 May 2017	£500	3m	£236.48	31 Jul 2017	Closed
2	1 August 2017	£500	6m	£160.59	2 instalments	Open

Mrs K says she had multiple short-term loans at the time she applied for her Wonga loans and that Wonga would have known this if it had carried out better checks. She said the repayments were unaffordable to her and she was in a cycle of debt with a clear gambling problem.

Wonga said it asked Mrs K for information about her income and checked her credit file. It confirmed Mrs K's loan applications met its affordability criteria and it was satisfied it lent to her responsibly. However, it acknowledged that Mrs K was struggling to repay her most recent loan and encouraged her to contact it so that it could try to find a solution.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that Wonga carried out enough checks before approving the loans.

Mrs K responded to say, in summary, that she has provided enough information to prove that she was in a difficult financial situation and was struggling to repay all her loans. She said her disposable income was not the £1,600 the adjudicator mentioned in his view and that her gambling problems had been overlooked. She said Wonga should have carried out a full financial review when she applied for the second loan just a day after repaying the first and she couldn't see anything that confirmed it had.

my findings

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

Wonga was required to lend responsibly. It should have made checks to make sure Mrs K could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Mrs K was borrowing, and her lending history. But there was no set list of checks Wonga had to do.

Loan 1

When Mrs K applied for her first loan from Wonga, it asked her for information about her income and expenditure and checked her credit file. Mrs K told Wonga her income was £3,600 per month and her regular expenditure totalled £2,000. As the scheduled repayments were a small proportion of Mrs K's disposable income, I'm satisfied Wonga didn't need to do any additional checks before approving this loan.

Loan 2

Mrs K made all her payments on time for loan 1 and repaid it in full on 31 July 2017. I accept she then applied for another loan the following day, but I can't conclude that in itself should have alerted Wonga to a potential reliance on such borrowing. Mrs K told Wonga her income and expenditure were unchanged and, as she was borrowing the same amount over a longer period, her monthly instalments were now lower. I'm satisfied there was nothing that should have prompted Wonga to carry out better checks at this stage. So, I can't say it should have found loan 2 to be unaffordable.

I accept Mrs K was indeed in a difficult financial situation when she applied for the Wonga loans, but I need to consider what level of checks were proportionate at the time she made each loan application. I acknowledge Mrs K now says she did not have a disposable income of £1,600, but this is the information she provided to Wonga and I don't find that proportionate checks should have included the verification of that information. Equally, I accept Mrs K had a very serious gambling problem, but Wonga could only have known this if it carried out a full financial review by, for example, looking at Mrs K's bank statements. But, as explained above, I'm satisfied Wonga would not have been alerted to any potential financial difficulties by Mrs K's borrowing pattern or her repayment history. Therefore, I don't find a full financial review would have been proportionate at the time Mrs K applied for her second loan.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 4 June 2018.

Amanda Williams
ombudsman