

complaint

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

background

Miss M was given six loans by Wonga. The first two loans were borrowed in May and August 2013. The other four loans were borrowed between January 2016 and July 2017. Most of Miss M's loans were repayable the following month, but loans 4 and 5 were repayable in three monthly instalments. All of Miss M's loans have been fully repaid. A summary of Miss M's borrowing from Wonga is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	31/05/2013	28/06/2013	£100
2	01/08/2013	16/08/2013	£200
3	06/01/2016	26/02/2016	£122
4	18/06/2016	26/09/2016	£155
5	13/12/2016	28/02/2017	£550
6	15/07/2017	26/07/2017	£170

Miss M's complaint has been assessed by one of our adjudicators. She thought that the checks Wonga had done before agreeing each loan had been sufficient. And she thought that those checks suggested that Miss M could afford to repay the loans. So she didn't think the complaint should be upheld.

Miss M didn't agree with that assessment. So she has asked, as she 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 checks to see whether Miss M could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Miss M was borrowing, and her lending history, but there was no set list of checks Wonga had to do.

Wonga has told us about the checks it did before lending to Miss M. Before the first two loans it asked her for details of her normal income. And it checked her credit file. I've looked at the results of those credit checks, and although they show Miss M had faced some problems around a year earlier, I don't think they should have caused additional concerns to the lender. Before the last four loans Wonga asked Miss M for details of her income and her normal expenditure. Wonga has also shown us that amongst the loans it approved for Miss M there were also several requests that it declined.

The amounts that Miss M had to repay on her first two loans were relatively modest compared to the income she'd declared to Wonga. There was a gap of almost five weeks between her repaying loan 1 and asking for loan 2. So at this stage of its relationship with Miss M I think it was proportionate for Wonga to just do the checks it did. And these checks suggested that Miss M would be able to afford to repay the loans. I don't think Wonga was wrong to give loans 1 and 2 to Miss M.

Miss M had several loan applications rejected by Wonga in the second half of 2013. There was then a gap of over two years before Miss M asked Wonga for another loan. I think, given the length of this gap, it was reasonable for Wonga to treat Miss M as a new customer and base its checks accordingly.

The next loan that Miss M asked for was again relatively small compared to her declared income. And her repayments appeared easily affordable based on what she said about her expenditure. So once more I think it was reasonable for Wonga to rely on the information Miss M provided. It wasn't wrong for Wonga to give this loan to Miss M.

The next two loans that Miss M took from Wonga were repayable in three monthly instalments. So the amounts that Miss M needed to repay each month were smaller than if she'd taken a normal payday loan. But of course she was committing to making those repayments over a longer period.

There had been a gap of over three months between Miss M repaying her third loan and Wonga agreeing to give her the fourth loan. And after making each of her repayments on loan 4 on time there was another gap, of almost three months, before Wonga agreed to give Miss M loan 5. The amount she asked to borrow on loan 5 was much larger than any of the loans she'd taken before. But because she was repaying it over three months, her repayments appeared easily affordable based on what she'd told Wonga about her income and expenditure. I think the checks Wonga did on each of these loans were proportionate. So I don't think it was wrong for Wonga to give Miss M these loans either.

There was another gap of almost five months before Miss M asked to borrow her final loan from Wonga. So I don't think it is reasonable for me to say that Wonga should have been greatly concerned here about Miss M being reliant on its lending. And the amount Miss M asked to borrow had returned to a much smaller level. So once more I think it was reasonable for Wonga to base its affordability assessment on the income and expenditure information that Miss M had provided. And this suggested she could easily afford to repay the loan.

I appreciate that Miss M says her financial situation was very poor at the time and that she was borrowing from several other lenders. But this wasn't something she told Wonga when applying for the loans. And it isn't something that Wonga discovered from what I think were the proportionate checks it did before agreeing the loans. So I think Wonga was entitled to rely on what Miss M said about her finances. I don't think it was wrong to give any of the loans to her.

I can see that Miss M has also complained that Wonga told her that taking these loans would improve her credit rating. But I haven't seen anything to support this part of her complaint, either in terms of what Wonga said to her, or the direct effect of taking loans from Wonga on her credit rating.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against WDFC UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 22 June 2018.

Paul Reilly
ombudsman