

## **complaint**

Mrs D complains that WDFC UK Limited (trading as Wonga.com) didn't check whether her loans were affordable.

## **background**

Mrs D took out 17 loans with Wonga between January 2016 and December 2016. She says it caused her to get into a cycle of debt and, if Wonga had done better checks, it would have found the loans were unaffordable.

Wonga said it checked Mrs D's credit file and gathered personal financial information from her. It said that, based on this data, it found the loans to be affordable.

Our adjudicator recommended the complaint should be upheld. She explained that given the first two loans were a small proportion of Mrs D's self-declared income (£850), she considered Wonga had carried out enough checks of her circumstances. However, as the second loan had been topped up, she considered Wonga should have asked for her regular expenditure before approving the third. She continued to say that from the fourth loan onwards, Wonga should have carried out more detailed checks. She found that, based on the expenditure information provided by Mrs D, the third loan was affordable. But, following a full financial review, our adjudicator found loans four to seventeen were unaffordable. She recommended Wonga should refund the interest on these loans (plus 8% statutory interest) and remove any associated adverse information from Mrs D's credit file.

Wonga responded to say, in summary, that it had Mrs D's expenditure information for every loan, that all the loans were a small proportion of her income, that they did not steadily increase over time and that her repayment history was good. Therefore, it said, it was not obliged to carry out further checks.

## **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 D could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Mrs D was borrowing, and her lending history. But there was no set list of checks Wonga had to do.

Much like the adjudicator, I'm satisfied Wonga carried out enough checks before agreeing to Mrs D's first two loans. The loans were a small proportion of her declared income and she repaid the first loan on time.

For the third loan, however, I do consider Mrs D's expenditure should have been taken into account. I say that, because Mrs D's income was quite low and she'd topped up her second loan by this stage. This could have been an indication that she was struggling financially. That said, I can see Wonga did have expenditure information for Mrs D. As the loan was only £50 and Mrs D's self-declared disposable income was £700, I cannot conclude Wonga was wrong to approve it.

However, when Mrs D applied for her fourth loan, I don't think Wonga should have relied on the expenditure figures provided by Mrs D. I say that because her fourth loan application was within three weeks of repaying the third and was for almost four times the previous amount (£190). Although it appears affordable, Mrs D was saying her only expenditure was on food (£50) and utilities (£100). This compares with her first loan application when she also had expenditure on rent (£200) and credit (£100). Indeed £50 on food per month for herself and two dependants also seems unlikely.

Had Wonga checked Mrs D's expenditure, it would have found that it was regularly over £1,000 each month and I can't see any of the loans, from the fourth one onwards, were affordable to her.

In summary, I find that Wonga should not have approved the fourth loan, or any of the subsequent loans.

### **my final decision**

My decision is that I uphold this complaint. WDFC UK Limited (trading as Wonga.com) should:

- Refund all interest and charges that Mrs D paid on loans four to seventeen;
- 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 loans four to seventeen from Mrs D's credit file.

\*HM Revenue & Customs requires Wonga to take off tax from this interest. Wonga must give Mrs D a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 7 July 2017.

Amanda Williams  
**ombudsman**