

complaint

Mr E has complained that several loans granted to him by WDFC UK Limited trading as Wonga.com ("Wonga") were unaffordable for him.

background

I recently issued a provisional decision on this complaint, an extract of which is attached and forms part of this final decision. In my provisional decision I explained why I thought this complaint should be partially upheld.

I asked everyone to send me any further comments and information before I reached a final decision.

Wonga responded to say it had received my provisional decision. And said it didn't have anything further it wanted to add.

Neither Mr E nor his representative responded. But the deadline to do so has now passed, so I'm issuing this final decision.

my findings

I've re-considered all the evidence and arguments already sent to us to decide what's fair and reasonable. And in the absence of any new arguments, I've reached the same conclusions I reached in my provisional decision, for the same reasons.

what Wonga should do to put things right

Wonga should:

- refund all interest and charges Mr E paid towards loan 3 from the date of the top-up onwards (including any late fees and default interest).
- refund all interest and charges Mr E paid towards loans 4 to 18 (including any late fees and default interest).
- pay interest on this refund at 8% simple* per year from the dates of payment to the dates of settlement.
- remove any adverse information about these loans from Mr E's credit file.

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

If Mr E still owes Wonga any of the principal balance he borrowed on any of his loans, Wonga may deduct this from the compensation that's due to him. To be clear, that outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Mr E has made on those loans as though they were applied against the principal sum borrowed. If Wonga no longer owns this debt, and wants to make a deduction from the amount it needs to pay Mr E, it needs to buy it back. If it doesn't then it isn't entitled to do so.

my final decision

For the reasons I've explained above and in my provisional decision I uphold Mr E's complaint in part. WDFC UK Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr E to accept or reject my decision before 26 February 2018.

Adam Golding
ombudsman

extract of provisional decision

background

Wonga says it agreed 18 loans for Mr E during the period February 2016 to December 2016. On some of the loans he also took top-ups. This is where he added additional funds to an existing loan. The loan table in the appendix summarises some of the information Wonga provided about these loans.

One of our adjudicator's looked into Mr E's complaint. He thought the affordability checks Wonga carried out before approving loans 1 to 4 were proportionate. But he thought that the checks Wonga completed showed that loans 3 and 4 weren't affordable for Mr E.

Our adjudicator didn't think the affordability checks Wonga carried out for the remaining loans and top-ups were proportionate. And he thought that if Wonga had carried out proportionate checks, it would've discovered that none of those loans were affordable for Mr E either. So to put things right, our adjudicator thought that Wonga should refund all interest and charges applied to loans 3 to 18.

Wonga didn't fully agree with our adjudicator's findings. It accepted that the checks it completed were enough to show that loan 4 was unaffordable for Mr E. But it maintained that loan 3 was affordable. Wonga also agreed with our adjudicator's findings for loans 5 to 18, so it offered to refund all interest and charges applied to loans 4 to 18, plus 8% simple interest, and to remove any adverse information about those loans from Mr E's credit file.

Mr E didn't want to accept Wonga's offer. So the complaint has been passed to me for a decision.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Our adjudicator thought that proportionate checks would've shown that loans 3 to 18 weren't affordable for Mr E. Wonga disagreed. But accepted that based on what it knew about Mr E's circumstances at the time, it shouldn't have provided loans 4 to 18. That means the only loans that are still in dispute are loans 1 to 3.

I've thought carefully about each of the loans, and about both sides' views on why certain loans shouldn't have been approved. Having done so, I agree that loans 4 to 18 shouldn't have been approved for Mr E. So I require Wonga to put things right in respect of those loans. As loans 1 to 3 are still in dispute I will address them in more in detail in this decision.

Based on what I've seen I'm thinking of coming to a slightly different outcome to our adjudicator. I agree that the checks Wonga carried out before approving loans 1 and 2 were proportionate. And I don't think Wonga was wrong to lend based on those checks. I also agree that the checks Wonga carried out for the initial advance of loan 3 were proportionate. But I don't agree that it would've appeared unaffordable, based on the information Mr E provided. However, I do think Wonga was wrong to approve the top-up on loan 3. I'll explain why in more detail.

Wonga was required to lend responsibly, which means it needed to check that Mr E could afford to repay his loans sustainably. Affordability checks needed to be proportionate, and might include considerations about the amount borrowed, the associated cost and risk to Mr E, his borrowing history including any indications that he might be experiencing (or had experienced) financial difficulty, and so on.

Wonga says it asked Mr E for details of his income and expenditure, and that it completed a credit check before it approved each loan. From what I've seen before each of the first three loans, Mr E told Wonga that his regular income was £1,256 per month, and that his total outgoings were £1,000 per month. These were made up of mortgage £400, food £300, utilities £200 and travel £100.

Mr E took out loan 1 in February 2016. He borrowed £100 over 28 days, which meant if he repaid the loan on the due date he'd have needed to repay around £122. This was Mr E's first loan with Wonga, and I don't think the figures he provided would've seemed implausible. So I think it was reasonable for Wonga to rely on the figure he gave for his income without needing to verify it. And considering the amount he needed to repay compared to his stated income, I think the checks Wonga carried out were proportionate. So I don't think it was wrong to approve this loan.

For loan 2 Mr E borrowed slightly more (£110) over 37 days, which meant if he repaid the loan on the due date he'd have needed to repay around £143. This was only his second loan, and he'd repaid loan 1 early, which Wonga could take into account when deciding whether to lend again. Considering this, and the amount he needed to repay I think the checks Wonga completed were proportionate. And based on the figures Mr E provided, the loan would've appeared affordable. So I don't think Wonga was wrong to provide loan 2 either.

Mr E took out loan 3 the day after he repaid loan 2 – which he again repaid early. He initially borrowed £110 over 33 days which would've meant he needed to repay around £139. But he took a top-up of £100 the following day, which took the amount he needed to repay up to around £265.

At this stage I still think it was reasonable for Wonga to rely on the figures Mr E was providing without needing to verify them. And based on the figures he provided, his disposable income was £256 per month. So I think it was fair for Wonga to conclude that the initial loan of £110 was affordable for Mr E. But I don't think it should've approved the top-up.

It follows that I think Mr E has lost out because of what Wonga did wrong in respect of the top-up on loan 3. So I think it needs to extend the offer it made on loans 4 to 18 to cover this top-up as well.

appendix

loan number	date	amount	date repaid
1	15/02/2016	£100.00	26/02/2016
2	27/02/2016	£110.00	01/03/2016
3	02/03/2016	£110.00	04/03/2016
top-up 3.1	03/03/2016	£100.00	
4	04/03/2016	£200.00	11/03/2016
top-up 4.1	08/03/2016	£110.00	
5	11/03/2016	£268.00	18/03/2016
top-up 5.1	12/03/2016	£35.00	
top-up 5.2	15/03/2016	£36.00	
top-up 5.3	17/03/2016	£100.00	
6	18/03/2016	£270.00	22/03/2016
7	01/07/2016	£100.00	19/07/2016
top-up 7.1	02/07/2016	£100.00	
top-up 7.2	06/07/2016	£201.00	
8	20/07/2016	£100.00	10/08/2016
top-up 8.1	22/07/2016	£50.00	
top-up 8.2	03/08/2016	£20.00	
top-up 8.3	06/08/2016	£10.00	
9	11/08/2016	£115.00	14/08/2016
10	14/09/2016	£100.00	26/09/2016
top-up 10.1	15/09/2016	£60.00	
top-up 10.2	16/09/2016	£50.00	
11	28/09/2016	£100.00	29/09/2016
12	29/09/2016	£300.00	06/10/2016
13	07/10/2016	£50.00	09/10/2016
top-up 13.1	08/10/2016	£101.00	
14	11/10/2016	£389.00	26/10/2016
15	12/11/2016	£389.00	13/11/2016
16	16/12/2016	£259.00	22/12/2016
top-up 16.1	18/12/2016	£101.00	
top-up 16.2	19/12/2016	£79.00	
17	22/12/2016	£389.00	24/12/2016
18	24/12/2016	£389.00	N/A