

complaint

Mr W complains that WDFC UK Limited (trading as Wonga.com) didn't carry out proper affordability checks before granting him numerous payday loans.

background

Mr W says he took out some 49 payday loans and other top ups with Wonga from November 2011. He says that if it had checked his credit file it would've seen defaults on other payday loans. The number of loans he took out also indicates he was reliant on them. He wants the interest and charges refunded with interest.

Wonga responded to say that before agreeing the loans it undertook credit reference agency checks. It also considered Mr W's personal circumstances. He achieved an acceptable underwriting score. So, the loans were agreed.

Our adjudicator recommended that this complaint should be upheld. He considered that:

- Mr W's credit report showed he took out 10 loans with Wonga between September 2011 and March 2012. The first one was repaid. The second one was rolled over a number of times. Two other loans were also rolled over.
- When the loan rolled over in October 2011 Wonga was on notice that there may be affordability issues. It was then reasonable for it to have carried out further checks before agreeing to the loan. This would include reviewing Mr W's bank statements and credit file.
- When the first loan was taken out Mr W's credit report had two defaults noted. Although not obliged to decline a loan because of these Wonga would've been aware of them as it says it checked his credit file.
- When Mr W rolled over the second loan his credit file also showed another payday loan with another provider. Throughout the time he had loans with Wonga his credit file also shows he took out 17 other loans with other payday lenders.
- So, on balance the loans taken out with Wonga from 4 October 2011 were unaffordable and it shouldn't have lent to Mr W.
- Wonga should therefore refund interest and charges applied to all loans after 4 October 2011 plus interest. It should also pay Mr W £100 compensation for the trouble and upset caused.

Mr W says he agrees with the adjudicator's opinion but wants interest and charges refunded on all his loans since 4 October 2011. In his words he was "*borrowing from Peter to pay Paul*". He says he's taken out other loans with Wonga after March 2012. He also says he took out some 58 loans with another payday loan provider. He's had a similar complaint upheld by that payday lender.

Wonga doesn't agree. It says that before allowing the borrowing it would've considered various factors including Mr W's credit reference files, stated income and applied its own credit scoring system to assess whether the loans were affordable. He had an excellent repayment history. It also asked him on each occasion if he could repay the loan. Mr W said

he could. It carried out a proportionate assessment. Mr W was a moderate risk. The loans were affordable. Defaults on his credit file were not a bar to it lending.

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 agree with the conclusions reached by our adjudicator for broadly the same reasons.

Mr W appears to have taken out at least 50 loans and other additional top ups with Wonga. From September 2011 to the early part of 2013 his borrowing was regular nearly every month. Often he took out a loan and topped it up several times in a month. Some loans were topped up 3, 4 or even 5 times. Mr W has also pointed out he took out a large number of other payday loans with other providers.

It's not clear what checks Wonga actually carried out to assess the affordability of each loan or top up. But whatever level of checks, if any, Wonga carried out at the relevant times I think Mr W's account history should've quickly alerted it to the fact that he may have been in financial difficulty and the loans may have been unaffordable. This is notwithstanding the fact – as Wonga says – that most loans were for less than 30% of his income.

I also think such a borrowing pattern clearly shows Mr W was dependent on short term borrowing from a very early stage. As Wonga has accepted, the loans were often regular and taken out in quick succession.

I agree with the adjudicator that it would've been reasonable for Wonga to have considered matters in greater detail as early as at the time of the second loan in October 2011. Had it done so I think on balance it would've been appropriate for it to have asked for more information from him and carried out more thorough affordability checks. I think that would most likely have reasonably led it to conclude that he was at that time in financial difficulties, the loans were unaffordable and he was reliant on short term lending. As a result the loans and top ups from 4 October 2011 would've, most likely, not been granted. Consequently, I think that the lending on and after that date was more likely than not irresponsible.

Mr W says he's had a similar complaint upheld by another payday loan provider and received a refund of interest and charges. That may well be the case. But the fact that another business has acted in that way, even if in similar circumstances, is an example of it exercising its individual commercial judgement. It doesn't set a precedent which obliges Wonga to do the same in this complaint.

Overall, I agree with the adjudicator that it's a fair and reasonable resolution of this complaint for Wonga to refund to Mr W all interest and charges applied to all loans from 4 October 2011 plus interest. It should also pay him £100 compensation for the trouble and upset caused. As the loans from 4 October 2011 shouldn't have been granted I think it's also reasonable for Wonga to remove reference to them on Mr W's credit file.

my final decision

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

1. To refund all interest and charges applied to all Mr W's loans from 4 October 2011 plus simple interest at the rate of 8% a year from the date each sum was paid until the date of settlement; and
2. To remove any information on Mr W's credit file relating to any loans taken out on or after 4 October 2011; and
3. To pay Mr W £100 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr W to accept or reject my decision before 10 July 2015.

Stephen Cooper
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