

On Wonga

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I wrote about Wonga yesterday, saying it looked to me like it had committed a fraud, using the plain English interpretation of that term. I did not suggest criminality: fraud can be wrongdoing without being criminal.

Some said I should have referred to the Farud Act 2006 when defining fraud: I happen to think much the same conclusion would apply but I was not looking for crime - I was looking for reason for sanction in that blog.

Others have offed the defence that the FCA could not prosecute because the offences occurred during the regime of the Office for Fair Trading. I find that very hard to believe. The Fraud Act was passed in 2006.

Paul Mason at [Channel 4 News](#) reckoned action could have been taken under the [1970 Administration of Justice Act](#) which says that its an offence to harass people by producing documents that look official but are not.

But actually, I refer back to my comment that this looked to be a fraud, whether criminal or not and suggest hat the FCA must have been able to do more even without prosecution. It could have taken action against those responsible by removing their status as 'fit and proper people' but I have heard of no such action. It could have reviewed Wonga's credit licence. It must have power to do that. And it could have pursued lines of enquiry such as that Paul Mason suggests even if a fraud prosecution was not possible. Amd it could have required that the compensation reflect the usurious interest rate Wonga charges its customers by adding such a sum to the late payment of compensation and refunds of overcharges.

It appears to have done none of those things. It has instead required payment of a small payment (£50 a person) to each customer impacted.

Is that really enough for an illegal threat (which it appears to be)?

And what will happen to the payments due to those Wonga cannot trace - and there will be many of them who have moved since the threats were made? Will Wonga have to

pay if it cannot find those impacted?

I suggest that the payment to be made is ludicrously low in light of the distress Wonga must have deliberately caused. This compensation needs to be reviewed. It appears to me that an attitude of 'they were only little people with little loans' may have prevailed here, and that's wrong. These were highly stressed people with what were to them massive loans that they were unable to repay because of the usurious nature of the loan relationship they had little choice but resort to. They need more protection than most - not desultory treatment.

So too then does the failure to impose a penalty need to be reviewed.

And the moral hazard implicit in Wonga managing the compensation process has to be addressed.

But more importantly I think this process undertaken by the FCA has to be thoroughly reviewed. I first wrote on the abuse within the door step loan industry in 2003 when I prepared the first estimate of the real interest rates then prevailing in it (which were much less than those changed now). Since then regulatory failure after systemic failure has occurred of which this is just the latest. Stella Creasey has done a good job exposing this but the systemic failing remains that treats these loans as a Cinderella issue.

No, they are not. They are of massive importance to those involved and the real economic abuse and potential for profound psychological harm inherent within them remains below the regulatory radar. That has to change. Failing to impose significant penalty on Wonga is indication that change has not happened. And that should be the precursor for real action now.