

## **complaint**

Miss S has complained about short-term loans granted to her by CashEuroNet UK LLC trading as Quick Quid ("Quick Quid" or "the lender"). Miss S says the loans were not affordable for her and were irresponsibly lent.

## **background**

I set out the circumstances leading to this complaint and my initial conclusions in a provisional decision to both parties in June. I have included a copy of my provisional decision at the end of this document and so I won't repeat its content here. For convenience, I'd set out some of the information Quick Quid provided about Miss S's loans in a [table](#) in my provisional decision.

Quick Quid didn't agree with my provisional decision so the complaint has come to me to reconsider and issue a final decision on the matter.

## **my findings**

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As before, I have also taken into account the law, any relevant regulatory rules and good industry practice at the time. And I've considered what Quick Quid has said in response to my provisional decision.

In its response to my provisional decision, Quick Quid reiterated some of its previous arguments about its lending process since March 2015, which I will not revisit. It provided some more explanation of how it calculated its 'disposable income figures' but hasn't provided copies of its credit check results. So altogether, it's not enough for me to be able to say that its assessments for loan 2 onwards were proportionate, given the circumstances.

Quick Quid also explained that Miss S's loans were multi-period loans and that she would have been aware that she might need to save to meet final, large, loan repayments. This doesn't absolve Quick Quid of its responsibility to assess the risk to Miss S of her not managing to meet her repayments sustainably. And, as Quick Quid can see from my provisional decision, I took this type of loan structure into account when forming my conclusions.

Finally, Quick Quid says it wasn't wrong to lend to Miss S on the basis that she spent money on gambling. It explained that such spend isn't a matter of public record so it wouldn't find this out through an affordability assessment. It also mentioned that Miss S's loan repayments would take precedence over such spending. And that it wasn't required to assess Miss S's bank statements as part of its lending procedures.

I'd provisionally concluded that, given everything, Miss S's spend on gambling would likely have come to light by the time Miss S had asked for her third loan. As I explained in my provisional decision, Miss S then went on to ask for three top-ups within about five days. And when she applied for a second top-up, Quick Quid ought to have asked itself whether it was responsible to continue to agree credit for Miss S, given the pattern of lending it was seeing. And I upheld Miss S's complaint from here onwards on the basis that it wasn't responsible to have done so.

Firstly, the regulations are not prescriptive about what Quick Quid needed to do to carry out a proportionate check. So I am not suggesting it ought to have checked Miss S's bank statements. But I do think a proportionate check for loan 3 ought to have involved some level of verification of the information Miss S provided about her income and her expenditure as it had gone beyond the point where her credit applications could reasonably be seen as having a short-term purpose. And a proportionate assessment would likely have shown large amounts of unaccounted-for regular spending. Irrespective of what level of importance or priority Quick Quid felt ought to be placed on its customers' loan repayments, I don't think it should have lent under such circumstances. And so it was irresponsible to have done so.

I appreciate that this is going to be disappointing for Quick Quid but having carefully considered what it has said in response to my provisional decision, I am still of the view that it should not have agreed to lend to Miss S from June 2016 onwards, in other words loans 2 to 5 as set out in my [table](#).

### **what Quick Quid should do to put things right**

I've concluded that Quick Quid was irresponsible to have agreed loans 2 to 5 for Miss S. In order to put her back in the position she would have been in, had it not agreed to these, Quick Quid should:

- refund all interest and charges (including late fees and default interest charges) Miss S paid for loans 2, 3, 4 and all associated top-ups;
- pay interest on these refunds at 8% simple\* per year from the dates of payment to the dates of settlement;
- remove any adverse information about loan 2 from Miss S's credit file;
- remove all information about loan 3 onwards from Miss S's credit file;

I understand that there was a £356 balance outstanding on Miss S's last loan of £350 when she brought her complaint to us. The records I have (up to 1 April 2018) show that Miss S paid £344 in interest and capital payments for this loan, almost the full original capital amount borrowed. All the repayments Miss S made should be counted as payments towards the capital amount of the loan and any outstanding interest and charges should be written off.

If Miss S has made any payments beyond this, they should be refunded as above, along with interest at 8% simple \*per annum.

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

**my final decision**

I uphold Miss S's complaint about CashEuroNet UK LLC trading as Quick Quid in part and require it to put things right for her as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 4 August 2019.

Michelle Boundy  
**ombudsman**

## COPY OF PROVISIONAL DECISION

### complaint

Miss S has complained about short-term loans granted to her by CashEuroNet UK LLC trading as Quick Quid ("Quick Quid" or "the lender"). Miss S says the loans were not affordable for her and were irresponsibly lent.

### background

Quick Quid agreed five loans for Miss S in the period March 2016 to February 2017. The loan terms varied with Miss S making between two and three repayments to clear the loan. Some of the information Quick Quid provided about these loans is shown in the table below. Miss S asked for additional credit advances or "top-ups" when she borrowed loans 3, 4 and 5 and these are shown in the table as 3a, 4a etc. I've rounded all amounts to the nearest pound.

No.	Date agreed	Date repaid	Principal (£)	Payment 1 (£)	Payment 2 (£)	Payment 3 (£)
1	07/03/2016	01/06/2016	200	38	46	251
2	01/06/2016	25/08/2016	500	92	140	612
3	10/10/2016	30/11/2016	50	7	61	-
3a	12/10/2016		50	14	122	-
3b	14/10/2016		50	19	184	-
3c	15/10/2016		100	30	306	-
4	08/12/2016	31/01/2017	200	32	251	-
4a	12/12/2016		50	38	314	-
4b	14/12/2016		100	50	440	-
4c	24/12/2016		100	54	565	-
5	15/02/2017	outstanding	200	22	245	-
5a	16/02/2017		150	37	428	-

Our adjudicator partially upheld Miss S's complaint and recommended that Quick Quid refund the interest and charges that she paid for her first loan and from when Miss S requested a second top-up on her third loan i.e. the 14 October 2016 onward (shown as 3b in the loan table). Quick Quid didn't agree with this recommendation and so the case has come to me, as an ombudsman, for review and final 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, having looked at everything, found that Quick Quid didn't carry out proportionate checks when Miss S applied for any of her loans, except her first. But the adjudicator recommended that Miss S's first loan be upheld because the information Quick Quid had gathered about her income and expenses showed that the highest loan repayment would be unaffordable for her.

Our adjudicator also upheld Miss S's complaint about all advances from the 14 October 2016 onwards. This was because, had Quick Quid carried out proportionate checks when Miss S asked to borrow on these occasions, it was likely to have understood that these loans were not sustainably affordable for Miss S due to her existing commitments to other short term lenders and because of the

amount of money she was spending on gambling. These findings were set out in some detail in a view letter to the lender.

I am not planning to uphold Miss S's complaint about her first loan but I am planning to uphold her complaint about her other loans. I appreciate this will be disappointing for Quick Quid and I hope my explanation makes clear my reasons for doing so.

Quick Quid didn't comment on our adjudicator's findings about the proportionality of its checks or the affordability of the loans, nor did it provide any new information for me to consider. It responded to our adjudication to say:

*"In response to FOS' assessment which recommends CashEuroNet UK uphold loans which were funded after March 2015, we regret to inform you that we cannot agree to FOS' recommendations. Please note that in CashEuroNet UK's initial response to FOS we provided detailed information indicating why the loans were responsibly lent to Miss [S]. Furthermore, we would like to advise that we are currently in talks with senior management at FOS to amicably resolve this outstanding issue, therefore we kindly ask that you move this case for ombudsman queue for a final decision."*

As Quick Quid is no doubt aware now because of previous decisions responding to this point, this Service is required to take into account wider considerations in making determinations on complaints. As the Financial Conduct Authority's (FCA) handbook sets out in the rules and guidance relevant to dispute handling (DISP 3.6.1R): *"The Ombudsman will determine a complaint by reference to what is, in his opinion, fair and reasonable in all the circumstances of the case."*

And DISP 3.6.4R goes on to explain that

*"In considering what is fair and reasonable in all the circumstances of the case, the Ombudsman will take into account:*

*(1) relevant:*

*(a) law and regulations;*

*(b) regulators' rules, guidance and standards;*

*(c) codes of practice; and*

*(2) (where appropriate) what he considers to have been good industry practice at the relevant time."*

So, I am required to consider more than the rules and guidance set out by the regulators in making my determination on a complaint. And I would not be acting in accordance with my statutory role if I *only* considered the extent to which Quick Quid complied with rules and guidance set out by the FCA in my determination. So I can't reject Miss S's complaint on this basis alone and I've gone on to consider the merits of it.

The FCA was the regulator at the time when Miss S borrowed the loans in question. Its rules and guidance say that Quick Quid needed to check that she could afford to meet the repayments for her loans in a sustainable manner. This means being able to meet her repayments out of her normal income without having to go without or borrow further.

The regulations aren't prescriptive about what checks Quick Quid needed to carry out. But the checks needed to be proportionate to the circumstances. In general, I'd expect a lender to require more assurance the greater the potential risk to the consumer of not being able to repay the credit in a sustainable way.

So, for example, I'd expect a lender to seek more assurance by carrying out more detailed checks

- the higher the loan amount,
- the lower the consumer's income; or
- the longer the lending relationship.

So, as our adjudicator did, I've first thought about whether or not the checks Quick Quid carried out were proportionate and, if not, what proportionate checks might have shown.

In addition, I've thought about whether or not the number of high cost short term loans Quick Quid provided to Miss S in itself was unsustainable or otherwise harmful. The purpose of short term credit is to provide a solution to a short term cash flow problem and using this type of credit to meet ongoing financial need is likely to be unsustainable.

CONC 6.7.21G says:

*A firm should not refinance high-cost short-term credit where to do so is unsustainable or otherwise harmful.*

*[Note: paragraph 6.25 of ILG]*

CONC 6.7.22G says:

*A firm should not allow a customer to enter into consecutive agreements with the firm for high-cost short-term credit if the cumulative effect of the agreements would be that the total amount payable by the customer is unsustainable.*

*[Note: paragraph 6.25 (box) of ILG]*

And paragraph 6.25 of ILG<sup>1</sup> states that it would be a "deceptive and/or unfair practice" where a lender is:

*Repeatedly refinancing (or 'rolling over') a borrower's existing credit commitment for a short-term credit product in a way that is unsustainable or otherwise harmful.*

Section 6.25 then goes on to say:

*The OFT considers that this would include a creditor allowing a borrower to sequentially enter into a number of separate agreements for short-term loan products, one after another, where the overall effect is to increase the borrower's indebtedness in an unsustainable manner.*

*The general purpose of short-term loans, such as 'payday loans', is to provide borrowers with a cash advance until their next pay day and they are usually about 30 days, or just over, in duration. However, in certain circumstances, the borrower can elect to 'renew' the loan for a fee and delay payment for a further agreed period of time.*

*The purpose of payday loans is to act as a short-term solution to temporary cash flow problems experienced by consumers. They are not appropriate for supporting sustained borrowing over longer periods, for which other products are likely to be more suitable.*

*loan 1*

As mentioned, our adjudicator upheld Miss S's complaint about her first loan. Miss S had told the lender that her monthly income was £900 and her usual monthly expenses came to £650. As per the [loan table](#), this loan was to be repaid in three payments of £38, £46 and £251. And so our adjudicator

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<sup>1</sup> The Office of Fair Trading was the previous regulator of high cost short term credit providers and its guidance was set out in its Irresponsible Lending Guidance document or ILG.

found that the final repayment was not unaffordable for Miss S based on the information she'd provided.

However, in reviewing this complaint I have borne in mind that this loan was to be repaid in three lots. Given it was Miss S's first loan I can accept that it wasn't unreasonable of Quick Quid at this point to think that she could be in a position to meet her loan repayments when they fell due, potentially by spreading her repayments across the term.

I understand Quick Quid carried out a credit file check at this point. I don't know what it saw as it hasn't provided the results of its check. But, from a look through a recent copy of Miss S's credit file (provided by her), I can't see anything from the time that ought to have prompted Quick Quid to do more.

And so I don't think Quick Quid was wrong to have lent on this occasion on the basis of the information it had available and I don't plan to uphold Miss S's complaint about this loan.

It seems from Quick Quid's account records that Miss S missed her first repayment on this loan by a day and was charged £15 in late fees. I note from the customer contact records that she then emailed Quick Quid in late May 2016 to ask if she could pay the final amount of £251 in two instalments over two months. Quick Quid seems to have sent a standard response asking for further information about her financial circumstances but I don't know what happened beyond this. Miss S then paid the full amount of £251.

#### *loan 2*

Miss S applied for a second loan the day she repaid her first. This second loan was for more than double the amount she'd previously borrowed at £500. She told Quick Quid that her income had increased to £1,500 and her expenses had decreased to £275, resulting in a jump in her monthly disposable (net of expenses) income from £250 to £1,225 inside of three months. This is quite a significant increase and I agree with our adjudicator that the lender ought to have done more here before agreeing to lend again, given the circumstances.

Our adjudicator explained that a proportionate check for Miss S's second loan would have included not only asking Miss S about her usual expenses but also asking about any other payments, such as other short term loan commitments, that might have impacted on her ability to meet her repayments for this loan when they fell due. I agree and furthermore, given Miss S's difficulties in repaying her first loan and the increase in her reported disposable income when her circumstances don't seem to have changed, I don't think it was fair of Quick Quid to continue to rely on the information Miss S provided without taking steps to verify it.

Quick Quid says that it used credit reference agency data to sense-check Miss S's declared income and used some of the information gathered to calculate an 'estimated disposable income'. It gave an estimated figure of £4,871 for Miss S's disposable income over the term of this loan (86 days) which exceeds Miss S's declared disposable income over the loan term by a considerable margin and contrasts with its estimated disposable income figure of £720 for Miss S's first loan of similar term. As mentioned, it hasn't provided the results of its credit checks and it hasn't explained what information it used or how it incorporated this into its disposable income estimations. So, altogether, I can't say it carried out a proportionate check here.

Miss S has provided her bank statements and I can see from these that her income wasn't quite at the level she told Quick Quid as it was around £1,050 in early 2016. Some of her identifiable expenses include car insurance and mobile phone costs, rent and food. These generally come to about £500. So, without considering any further expenses, I don't think the repayments for this loan would have been affordable for Miss S as they fell due. And Quick Quid would likely have understood this had it looked further into her financial circumstances at this point. And, as a responsible lender, it wouldn't have agreed to this loan. So I plan to uphold Miss S's complaint about it.

As before I have considered that this loan was to be repaid in three lots but unlike the circumstances of her first loan, I don't think it could have been reasonable of Quick Quid to lend to Miss S on the basis of her being able to manage the loan repayments across the term of this loan. She seems to have had difficulty repaying her first loan and Quick Quid agreed to a second loan of a much higher amount the day she'd repaid her first. This suggests to me that Miss S was borrowing again to manage the gap in her income that the first loan repayment left and that she didn't have the means to carry money forward from month to month. So I think it was no longer reasonable of Quick Quid to lend on this basis.

I can see from the customer contact records that Miss S seems to have had trouble with this loan also – she asked for it to be cancelled the day after taking it out and asked for a lower amount to be agreed, which doesn't appear to have happened. Miss S then asked for the date of the first payment to be changed to match her pay date. This was agreed, but then the account records don't show a payment on this new agreed date and she was charged a late fee. Miss S did make three repayments for this loan and it was repaid just before the original end date.

### *loan 3 onwards*

Miss S didn't ask for further credit for about a month and a half after repaying her second loan. She then asked for a much lower amount of £50. Two days later she asked for another £50. She then asked for another £50 another two days after that, and £100 a day later.

Our adjudicator explained that, given this pattern of borrowing, Quick Quid ought to have carried out a comprehensive check when Miss S asked for her second and third top-ups on this loan (labelled 3b and 3c in the [loan table](#)). And I agree, but furthermore because of the problems Miss S appears to have had managing her repayments for her first two loans, I think Quick Quid ought to have carried out a comprehensive check when Miss S came to ask for the initial borrowing on loan 3 and when she asked for her first top-up two days later.

I have considered that there was a short gap between Miss S repaying her second loan and asking for a third, smaller, loan. But within five days she'd asked for another three advances so Quick Quid ought to have gathered a full picture of her finances, if not initially, at the latest when Miss S asked for her second top-up (on the 14 October) as it could see a pattern of borrowing emerging by then.

Our adjudicator explained that had Quick Quid looked further into Miss S's finances at this stage it was likely to have found out about her gambling spend. I can see from Miss S's bank statements that she'd been spending significant amounts on gambling relative to her income before she first borrowed from Quick Quid and this continued throughout her borrowing. I don't think Quick Quid would necessarily have found out about this when

Miss S asked for her second loan, had it looked to verify her income and expenditure. But I think this would have come to light when it looked again into her finances around the time of her third loan. And given the risk to Miss S of her not being able to meet her repayments in a sustainable manner, Quick Quid wouldn't have agreed to her third loan or its top-ups.

Reading through the customer contact notes, Miss S seems to have attempted to cancel this loan, or part of it, towards the end of October before her first repayment. I'm not sure what happened here but Miss S was charged a late fee for missing her first repayment and sent a default notice. She was then charged some default interest before clearing the loan about a week after the due date.

I want to note at this point that I understand Miss S had considerable savings that were from an inheritance payment and to which she gained access in August 2016, after her second loan had been agreed but before she took out her third loan. These were not available to her to meet repayments for her third loan however, because she had spent them on gambling in the intervening time. All advances for Miss S's third loan were immediately spent on gambling, as indeed was every advance from Quick Quid from the beginning.



There is another consideration here beyond what proportionate checks would or would not have revealed. Miss S had borrowed two loans in about six months and had had some difficulties repaying these. And, after a short gap, she'd returned to borrow another £250 (in total) over several advances within a short space of time.

Given Miss S's borrowing history, it should have been clear to Quick Quid when Miss S asked for her second top-up (3b) that she wasn't asking for credit to meet unexpected expenses but to support her finances in the longer term. The pattern of lending itself up to this point showed that this was likely to be the case. And Quick Quid should have considered that meeting her ongoing need through short term high cost credit wasn't the purpose for which it was intended, was likely to be unsustainable for Miss S and was potentially harmful, given the high interest she needed to pay and the record that repeat borrowing would leave on her credit file.

I don't think Quick Quid considered this and it agreed top-ups 3b and 3c, and further top-ups and loans for Miss S that prolonged her indebtedness to it. So I think it was also irresponsible of Quick Quid to agree any further credit for Miss S beyond her third loan and its first top-up.

### **what Quick Quid should do to put things right**

I've provisionally concluded that Quick Quid was irresponsible to have agreed loans 2 to 5 for Miss S. In order to put her back in the position she would have been in, had it not agreed to these, Quick Quid should:

- refund all interest and charges (including late fees and default interest charges) Miss S paid for loans 2, 3, 4 and all associated top-ups;
- pay interest on these refunds at 8% simple\* per year from the dates of payment to the dates of settlement;
- remove any adverse information about loan 2 from Miss S's credit file;
- remove all information about loans 3 onwards from Miss S's credit file;

I understand that there was a £356 balance outstanding on Miss S's last loan of £350 when she brought her complaint to us. The records I have (up to 1 April 2018) show that Miss S paid £344 in interest and capital payments for this loan, almost the full original capital amount borrowed. All the repayments Miss S made should be counted as payments towards the capital amount of the loan and any outstanding interest and charges should be written off.

If Miss S has made any payments beyond this, they should be refunded as above, along with interest at 8% simple \*per annum.

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

### **my provisional decision**

I intend to uphold Miss S's complaint for the reasons given above and require CashEuroNet UK LLC Limited (trading as Quick Quid) to put things right as I've set out.

I'll wait two weeks to see if either party has anything further to add – before considering my decision on this complaint once more.