

complaint

Mr S complains that Casheuronet UK LLC (trading as Quick Quid) gave him unaffordable payday loans. He wants a refund of the interest he paid and for the loans to be removed from his credit file.

background

Mr S had ten payday loans and a Flex Credit loan from Quick Quid between 2011 and 2013. The first three loans for £200, £250 and £200 were small compared to his stated monthly income of £3,300.

But Mr S couldn't repay the third loan on time. When he repaid this, he then borrowed £650. It took him three months to repay this and then he borrowed further. He's now left with a debt for the Flex Credit loan he couldn't repay. He thinks Quick Quid lent to him irresponsibly. It's offered to waive the interest and fees on the Flex Credit loan.

Our adjudicator recommended that the complaint should be upheld in part. She thought that after the late payment for the third loan, Quick Quid should have made further checks that the loans were affordable for Mr S. She thought that if it had done this it would have found that Mr S was in financial difficulties due to a gambling addiction and not given him further loans.

She thought Quick Quid should refund Mr S the interest and charges he paid from his fourth loan onwards, with interest. This could be offset against what he owed it. She also thought it should remove these loans from Mr S's credit file.

Quick Quid replied that a late payment didn't necessarily indicate financial difficulties. It said that Mr S did have trouble repaying his fourth loan. It said it should have made further checks after this. It offered to refund interest and charges for two larger loans agreed after this, and to remove these from Mr S's credit file. It said it would then waive the small outstanding balance remaining. But Mr S didn't think this was enough.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr S has now calculated that his expenditure to keep his family was about £3,000 a month. So his disposable income was £300 per month. But he was also repaying payday loans and paying for his gambling so he couldn't cover his bills. He says that Quick Quid should have known from his salary and his credit file that its loans were unaffordable for him.

Lenders are obliged to make sufficient and proportionate checks to make sure that loan repayments are affordable without undue hardship.

When Mr S first asked for a loan, Quick Quid asked Mr S for his income but not for his expenditure. It checked his creditworthiness with the credit reference agencies.

I agree with the adjudicator that these checks were proportionate and sufficient for the size of the first three small loans.

Mr S asked for a fourth loan which was more than double the size of the earlier loans. He'd not been able to repay his last loan on time. So I think Quick Quid should have been alerted by this that Mr S may be having financial difficulties.

Quick Quid said it didn't know of Mr S's difficulties at the time. But Mr S said he'd been in contact with Quick Quid when he'd been unable to meet the last loan repayment on time. It could have asked him about his situation then. But I can't see evidence that it did this.

A later credit file check that Quick Quid carried out didn't show the detail of Mr S's affairs. But it did show that he'd recently opened six new accounts, had outstanding debts, and had increased his borrowing over the past year. Yet it still continued to lend to him.

I think Quick Quid should have made further checks on Mr S's circumstances after his third loan. It could, for example, have asked to see his bank statements and credit file. Mr S has provided these for us. I can see that Mr S struggled to keep his accounts in credit through taking out payday loans and ignoring bills. He was increasingly indebted and gambling. I think if Quick Quid had made further checks, it would have declined to give Mr S further loans.

So I think that Quick Quid lent to Mr S irresponsibly from the fourth loan. I think it should refund all the interest and charges he paid from and including this loan, with interest. The refund can be used to offset the outstanding debt Mr S owes for the principal of the Flex Credit loan. Quick Quid should also remove these loans from Mr S's credit file as they shouldn't have been given.

my final decision

My final decision is that I uphold this complaint in part. I require Casheuronet UK LLC (trading as Quick Quid) to do the following:

1. Refund Mr S all the interest and charges he paid from and including his loan on 7 July 2011, adding interest at 8% per year from the dates of payment to the dates of settlement.
2. Offset this refund against the principal Mr S owes for his Flex Credit loan and pay him the remainder.
3. Remove all these loans from his credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 October 2016.

Phillip Berechree
ombudsman