

complaint

Mr M complains about payday loans he has taken out with CashEuroNet UK LLC (trading as QuickQuid) which he says QuickQuid shouldn't have given him because the borrowing wasn't affordable.

background

The background to this complaint was set out in my provisional decision dated 4 December 2017. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to partly uphold the complaint. I invited both parties to let me have any further comments and evidence. Mr M has told us he doesn't have anything further to add. QuickQuid has given us some additional comments.

I've carefully considered everything QuickQuid has told us. In summary it says;

- Mr M's fourth loan was requested the same day as his previous loan was repaid and he declared an increase in income, so based on his declared expenditure Mr M could afford the loan,
- Mr M had the financial means to repay loan 4 early and
- there was no requirement for QuickQuid to have obtained copies of Mr M's bank statements.

my findings

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

I've considered what QuickQuid says about Mr M's increase in declared income when he applied for loan 4 and this is something I acknowledged in my provisional decision. But, for the reasons I outlined in the provisional decision, I don't think that the increased income was enough (together with his declared outgoings) on its own was enough to say the loan was affordable. Taking into account Mr M's loan history and the size of the largest payment he would have to make, I felt by this time QuickQuid's checks needed to go further.

While I appreciate that there was no requirement for QuickQuid to obtain bank statements, it could've verified Mr M's information a number of ways. As I explained in my provisional decision, there was no one way QuickQuid could've verified the information Mr M had provided. I used his bank statements because that's what I had to hand – but QuickQuid could've asked for evidence of his income and his outgoings. And for loan 4, had QuickQuid carried out further checks, it would've seen that loan wasn't affordable for Mr M.

I've thought carefully about what QuickQuid says about Mr M repaying the loan early – which would show that Mr M could afford to repay it. While I accept that this may appear to be the case, a fuller understanding of Mr M's financial position – which by this time I felt QuickQuid needed to have, would've shown that he didn't have the means to sustainably repay the loan.

So having considered the additional information QuickQuid has given us, and everything I saw before making my provisional decision, I still think QuickQuid was wrong to have given Mr M some of the loans.

what QuickQuid should do to put things right

To put things right for Mr M, QuickQuid should:

- refund all the interest and charges paid by Mr M on loans 3 - 7,
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †;
- QuickQuid can put any refund towards any outstanding principal Mr M's has on his last loan and
- remove any adverse information recorded on Mr M's credit file about these loans.

†HM Revenue & Customs requires QuickQuid to take off tax from this interest.

QuickQuid must give Mr M a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained, I partly uphold Mr M's complaint.

CashEuroNet UK LLC should put things right for Mr M by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 22 January 2018.

Robert Walker
ombudsman

EXTRACT FROM PROVISIONAL DECISION**complaint**

Mr M complains about the payday loans he took out with CashEuroNet UK LLC (trading as QuickQuid) which he says QuickQuid shouldn't have given him because the borrowing wasn't affordable.

background

A summary of Mr M's borrowing history can be found below;

loan number	loan / top up amount	received date	actual repayment date
1	£250.00	13/04/2015	24/04/2015
2	£150.00	15/05/2015	29/05/2015
3	£300.00	19/08/2015	27/11/2015
4	£400.00	27/11/2015	24/01/2016
5	£100.00	13/02/2016	30/06/2016
	£50.00	30/03/2016	
6	£200.00	21/09/2016	06/01/2017
	£450.00	22/10/2016	
7	£450.00	14/01/2017	outstanding balance

Our adjudicator reviewed Mr M's complaint and thought the checks QuickQuid carried out before agreeing to the first two loans went far enough – so he didn't think it was wrong to have given Mr M's these loans.

However, looking at what Mr M was committed to repaying the adjudicator didn't think any of the checks carried out by QuickQuid went far enough for the remaining loans. And had proportionate checks been carried out QuickQuid wouldn't have given Mr M loan 3, the top up for loan 5 and loan 6.

QuickQuid didn't entirely agree with the adjudicator's recommendation. It didn't think it was wrong to have given Mr M loan 3, but agreed that it could've carried out further checks for the top up on loan 5 as well as for loan 6. It went on to say that it would use this refund to clear some of Mr M's outstanding balance.

Mr M didn't agree with QuickQuid's offer – so the case was prepared to be considered by an ombudsman. But before the case was passed to me QuickQuid agreed to include loan 3 in the refund as well – which would've cleared Mr M's outstanding balance. Mr M didn't agree with this offer either, so the case has been passed to me for a decision. But as QuickQuid has already agreed to refund the interest and charges on loans 3, the top up for loan 5 and 6 so I won't be looking at those lending decision here.

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've carefully thought about everything I've been given and having done so, I'm partly upholding Mr M's complaint and I'll explain why below.

QuickQuid had to gather enough information to be able to make an informed decision as to whether it was going to lend. The guidance and rules don't set out what checks must be done before lending is approved. However, QuickQuid needed to take reasonable steps to check that Mr M could repay his loans. And these checks needed to be proportionate to a number of things such as the size of the loans and when the loans were due to be repaid.

But even if the checks QuickQuid carried out weren't proportionate, that alone doesn't mean Mr M's complaint should be upheld. I say this because, it's possible, that had further checks been carried out by QuickQuid they could've shown Mr M was able to afford his loans. So QuickQuid wouldn't have been wrong to lend him the money.

QuickQuid says it carried out credit and affordability checks on each loan. QuickQuid says its affordability assessment includes a number of variables, including loan repayment history, credit scoring and other third party reports. These checks produce a score which is then used by QuickQuid to determine the size of the loan and it has provided the score from Mr M's most recent borrowing.

So QuickQuid says that based on the information it gathered about Mr M, it was reasonable to lend to him. But I've thought about what QuickQuid says and Mr M's circumstances at the time each loan was approved. And having done so, I don't think the checks QuickQuid carried out were proportionate for some of the borrowing.

Before the first two loans were agreed QuickQuid says it asked Mr M about his income and he declared this to be £980 for the first loan and £979 for the second. QuickQuid also made some enquires with Mr M about his living costs and he declared these to be £375 per month. And considering the amount Mr M was committed to repaying QuickQuid I think the checks for the first two loans went far enough. So I won't be asking QuickQuid to do anything else.

QuickQuid has already agreed to refund the interest and charges for loan 3 so as I mentioned above, I won't be looking at this loan in this decision.

Loan 4 was Mr M's largest loan to date and again QuickQuid made some enquires with Mr M about his income and his outgoings. By now Mr M's income had increased to £1,500 per month and his outgoings were now £475. But I don't think QuickQuid could solely rely on the information Mr M had provided. This was Mr M's fourth loan and he took it out on the same day that he'd repaid his previous loan. I've also thought about that Mr M had two paydays in order to repay his loan. But considering the largest repayment would've taken up nearly a third of Mr M's declared income and his loan history I think QuickQuid's checks needed to go further. By now, QuickQuid should've had a thorough understanding of Mr M's financial position which would've included verifying the information Mr M had provided.

QuickQuid could've verified the information a number of ways. For example, it could've asked to see evidence of Mr M's income and outgoings. Or, as I've done here, it could've asked to see Mr M's bank statements. The bank statements are the best indication of Mr M's ability to afford the loan at the time it was approved, so I don't think it's unreasonable to rely on them.

Having looked at Mr M's bank statements I don't think Mr M was in a position to take on this loan. He has explained that he was on a zero hours contract at work, and having looked at his bank statements from around the time this loan was approved I can see the amounts Mr M earns fluctuates. So at the end of November he received £302 but at the end of October he received £296.

Mr M has also explained that he sometimes paid rent and in November Mr M made a payment of £100. He also had a pay as you go phone – which again, the amounts fluctuated but in November cost Mr M £16. But Mr M also spent significant amounts of money each month gambling and from the end of November until just before the loan was approved, had QuickQuid carried out proportionate checks it would've seen that Mr M had spent over £800. So had QuickQuid carried out proportionate checks it would've seen that Mr M didn't have any disposable income to be able to afford the repayments he was committed to making and I don't think QuickQuid would've given him the loan.

QuickQuid has already agreed to refund the top up amount of £50 on the fifth loan so I'm only going to be looking at the original lending decision of £100. Although, Mr M borrowed less than his previous loan, I still think, QuickQuid should've had a thorough understanding of Mr M's financial position. And,

as I've mentioned above, QuickQuid could've verified Mr M's information a number of ways.

Had QuickQuid verified the information it would've seen that Mr M's income was still fluctuating, at the end of January he earned £155.62 – which is significantly less than QuickQuid believed Mr M was earning. I can also see numerous payments from family and friends whereby they were loaning Mr M additional funds – but these loans weren't guaranteed so QuickQuid wouldn't have known whether Mr M would receive further loans in the future. And this month Mr M spent £530 on a betting website. QuickQuid would've found this by carrying out proportionate checks, and knowing this, I don't think QuickQuid would've agreed to the original lending decision.

QuickQuid has already agreed to refund the interest and charges applied to loan 6 – so I won't be looking at that loan here.

Like Mr M's other loans I don't think the checks QuickQuid carried out went far enough taking into account Mr M's loan history including the amounts he was committed to repaying in order to repay his loan. And Mr M's largest contractual repayment for this loan was £561.60 so like the previous loans, I still think QuickQuid needed to be verifying the information Mr M had provided.

Having looked at Mr M's bank statements, I can see that at the time this loan was approved, Mr M's declared income was broadly correct - but that doesn't mean he was in a position to afford the loan repayments. Having reviewed Mr M's bank statements I can see that he was now borrowing from a number of different lenders and at the time the loan was approved, he owed other lenders over £1,100 and Mr M had recently repaid other short term lenders over £2,000.

And Mr M was still gambling – in the weeks leading up to this loan Mr M spent over £4,000 on betting websites. I appreciate that Mr M does appear to have had some winnings, but these weren't guaranteed and I don't think it's reasonable of QuickQuid to have taken these into account, because it would've meant that Mr M's ability to repay his loan was dependent on his success as a gambler – which isn't sustainable. So had QuickQuid carried out proportionate checks – which is what it was required to do it would've seen that the loan repayments weren't sustainable for Mr M and it wouldn't have given him these loans.