

complaint

Mr L complains that CashEuroNet UK LLC (trading as Quick Quid) gave him unaffordable payday loans. He wants a refund of the interest he paid, with interest.

background

Mr L had 13 loans from Quick Quid between November 2012 and March 2016. Quick Quid said it'd carried out sufficient checks that the loans were affordable for him.

Our adjudicator recommended that the complaint should be upheld in part. He thought the first two loans were affordable, but not the top up of the second loan. Quick Quid hadn't then checked Mr L's outgoings. If it had, then it would have seen he couldn't afford to repay this amount. Quick Quid checked Mr L's outgoings and commitments for his third and fourth loan. So the adjudicator thought sufficient checks had been made.

But he didn't think Quick Quid had made sufficient checks on Mr L's circumstances after that point. If it had it would have seen that Mr L was gambling and couldn't afford his repayments. So the adjudicator recommended that Quick Quid should refund Mr L the interest and charges he paid on the top up for his second loan and for all loans from the fifth loan onwards, adding interest. It should also remove adverse information from Mr L's credit file.

Quick Quid said it had carried out affordability checks and these didn't show that Mr L couldn't repay his loans. It said Mr L had a good repayment history. It said there were breaks between the loans showing that Mr L wasn't dependent on payday lending. It said it wasn't responsible for Mr L's use of the loans for gambling. However, it offered to refund interest on nine loans, with interest. But Mr L didn't accept this offer.

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 L's first loan was for about £180, with interest. He repaid this and then two weeks later he borrowed £235. He topped this up the next day with a further £470. Nineteen months later, Mr L took out his third loan of about £310 which he topped up 10 days later with a further £150. Two months later, Mr L borrowed about £350. Mr L's fifth loan was for about £1,000. He continued to borrow large amounts. There was a five month break between loans seven and eight. Mr L repaid all his loans.

Quick Quid was required to lend responsibly. It should have made checks to make sure Mr L could afford to repay the loans before it lent to him. Those checks needed to be proportionate to things such as the amount Mr L was borrowing, and his lending history. But there was no set list of checks Quick Quid had to do.

Mr L told Quick Quid that his income was £1,100 a month after tax when he took out his first loan. This increased to £1,666 from the third loan. It checked his outgoings from his third loan in September 2014. Quick Quid checked Mr L's credit reports. It said it found nothing that would have told it Mr L would have problems making his repayments.

I agree with the adjudicator that Mr L's first loans were large in comparison to his stated income. I think Quick Quid should have made checks on his living expenses to see if he could afford the repayments. But Mr L has told us that his regular outgoings were £800 a month. So I think if Quick Quid had made checks on his outgoings, it would have seen that this left sufficient to repay these loans.

But Mr L's top up took his second loan up to £705. Quick Quid didn't make any further enquiries before approving the top up. Mr L would now have to repay it using most of his month's income. I think it should have checked Mr L's financial circumstances fully. If it had it would have seen, as I have, that Mr L couldn't afford to repay that amount within his monthly disposable income. So I think this top up was lent irresponsibly.

There was then a nineteen month break in the borrowing. Quick Quid checked Mr L's income (£1,666), and his outgoings including regular financial commitments (£800) for his next loans for £460 and £350. Mr L's disposable income was £866. So I think sufficient checks were made on Mr L's third and fourth loans.

But Mr L next asked to borrow £806 which was topped up to about £1,000. He then continued to borrow back to back with only one substantial break. The fifth loan of £806 accounted for most of Mr L's disposable income. In other months, he exceeded this.

I think Quick Quid should have been alerted by this to make further enquiries about Mr L's financial circumstances when he asked for the fifth loan. It would have then seen, as I have, that Mr L was spending most of his disposable income on gambling. He was borrowing from other short-term lenders. So I think that if Quick Quid had made further checks at this point, 28 December 2014, it would have realised that Mr L couldn't afford to repay further loans sustainably. And so it would have declined them.

There was a five month gap between loans seven and eight. But I agree with the adjudicator that if Quick Quid had made the checks it should have, it would have seen Mr L's gambling addiction and dependency on payday loans. And then it wouldn't have given Mr L further loans. So I think Quick Quid's lending to Mr L from his fifth loan onwards was irresponsible.

Quick Quid has now offered to refund Mr L's interest on nine loans, with interest. But I don't think this goes far enough to put things right.

my final decision

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

1. Refund Mr L the interest and charges he paid on his top up loan on 3 January 2013 and all his loans from 28 December 2014 onwards. It should add interest to this amount at 8% simple from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Quick Quid to withhold income tax from that interest. It must give Mr L a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information related to these loans from Mr L's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 2 May 2017.

Phillip Berechree
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