

complaint

Mr N has complained about short-term loans granted to him by CashEuroNet UK LLC trading as Quick Quid ("Quick Quid" or "the lender").

background

The background to this complaint was set out in my provisional decision dated 18 October, a copy of which is attached and forms part of this final decision.

In my provisional decision I explained why I was minded to uphold this complaint. I asked both parties to let me have their final submissions by 1 November. Mr N accepted my provisional decision but Quick Quid only partially agreed with it. The lender made a further offer to Mr N, who declined it and asked for a final decision on his complaint.

my 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.

As set out in my provisional decision, Quick Quid agreed six short-term loans for Mr N between January 2011 and May 2013. For ease of reference I have reproduced the summary table below.

	Date of application	Date of principal repayment	Principal amount	Credit check?
1	19/01/2011	22/07/2011	£400	Yes
2	22/07/2011	23/12/2011	£900	Yes
3	07/06/2012	07/09/2012	£950	Yes
4	21/10/2012	01/04/2013	£500	No
5	15/04/2013	20/05/2013	£950	Yes
6	23/05/2013	24/04/2014	£1,000	No

My provisional conclusion was that the last five of these six loans were unaffordable for Mr N (i.e. loans 2 to 6) and Quick Quid should have reasonably known this and not lent to him.

Quick Quid agreed with the points I'd made regarding three of Mr N's loans (i.e. loans 2, 5 and 6) and offered to refund interest and charges for these. But it disagreed that it should refund Mr N for two loans granted in 2012 and said that:

- During the time Mr N borrowed from it there were no set rules regarding extensions. And that extending a loan wasn't seen as a sign of financial difficulty because it didn't change the amount due but provided the consumer with the option to pay later.
- Any period greater than 15 days is sufficient enough for a customer to consider their financial obligations and break a cycle of dependency. Mr N's second loan in 2012 was for a lower amount than he'd borrowed previously that year. And there had been a gap of 44 days between this loan and the final payment for the previous one that year.

- It would not have known how Mr N spent his money unless he provided this information. And that Mr N needs to be held accountable for his choices regarding his non-essential spending.

I have considered Quick Quid's comments alongside all the evidence and arguments already submitted by both parties in order to decide what is fair and reasonable. I know this will come as a disappointment to Quick Quid but, having considered all of the evidence, including the lender's comments in response to my provisional decision, I have reached the same conclusions as I did before and for the same reasons.

Quick Quid agreed that it should have done more to check whether or not Mr N's July 2011 loan was affordable for him. As I said in my provisional decision, I think it would have seen then that Mr N's existing credit commitments exhausted much of his monthly wages. Mr N repaid over £1,000 in late December 2011 to clear this loan and took out his next loan just over 5 months later in June 2012. About six weeks after repaying this, he took out another loan in October 2012.

I'd mentioned in my provisional decision that it took Mr N several months to repay his 2011 loans. I agree with Quick Quid that there were no set rules regarding extensions when Mr N borrowed from it, though I disagree that this means he didn't pay any more for his loans. Extending or 'rolling over' his loans each month meant that he paid more in interest than he would have done had he been able to repay them in total within one month. For example, I understand from Mr N's account history that he would have paid £180 in interest on his £900 loan of July 2011 had he repaid it the following month. It took him five months to repay it and he paid a total of £900 in interest. And, while not always the case, I think choosing to extend a loan many times (and as a consequence paying significantly more interest) *can* be a sign of financial difficulty.

My understanding of Quick Quid's second comment is that sufficient time had passed between some of the loans it agreed for Mr N that it did not think he was dependent on its borrowing. The relevant regulations didn't specify a minimum or maximum lending 'gap' and so I think it's up to Quick Quid to determine its internal perspectives. I do appreciate that a consumer's financial situation may change and what was unaffordable once may not always continue to be so. However, in Mr N's case, his financial situation didn't improve throughout his borrowing relationship with Quick Quid and he continued to borrow to meet his existing credit commitments and living expenses. Had Quick Quid done more early on in its lending relationship with Mr N to check whether or not he could sustainably repay the money he was borrowing, it would have become aware of his existing commitments and his regular expenditure. And, while I accept that Mr N bears responsibility for his spending decisions, this does not negate Quick Quid's duty to lend responsibly.

fair compensation

In summary, I remain of the view that Quick Quid should not have lent to Mr N after agreeing his January 2011 loan. In order to put this right, Quick Quid should:

- refund all interest and charges for Mr N's five loans agreed in the period July 2011 to May 2013.
- 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 these loans from Mr N's credit file.

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

my final decision

For the above reasons and those in my provisional decision, I uphold Mr N's complaint and direct CashEuroNet UK LLC (trading as Quick Quid) to pay him compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 23 December 2016.

Michelle Boundy
ombudsman

COPY OF PROVISIONAL DECISION**complaint**

Mr N has complained about short-term loans granted to him by CashEuroNet UK LLC trading as Quick Quid ("Quick Quid" or "the lender").

background

Quick Quid agreed six short-term loans for Mr N between January 2011 and May 2013. For clarity, Mr N's loan history is shown below:

	Date of application	Date of principal repayment	Principal amount	Credit check?
1	19/01/2011	22/07/2011	£400	Yes
2	22/07/2011	23/12/2011	£900	Yes
3	07/06/2012	07/09/2012	£950	Yes
4	21/10/2012	01/04/2013	£500	No
5	15/04/2013	20/05/2013	£950	Yes
6	23/05/2013	24/04/2014	£1,000	No

Mr N says these loans were unaffordable for him. And that Quick Quid would have known this and should not have lent to him. One of our adjudicators has looked into Mr N's complaint already. He recommended that it be upheld and that Quick Quid refunds the interest and charges that Mr N paid for all of his loans. Quick Quid did not agree with this recommendation and offered a lesser amount of refund. Mr N declined this offer and so the complaint has come to an ombudsman for a 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.

In making this decision I have considered whether Quick Quid did everything it should have when assessing Mr N's credit applications. And, following on from this, I have thought about whether any assessment failings resulted in Quick Quid agreeing to lend to Mr N when it should reasonably have known that it would be difficult for him to repay.

Quick Quid says that it carried out credit reference agency checks and asked Mr N for information about his income when he applied for his loans. It provided a record of these checks which I've noted in the above table.

Loans 1 and 2 taken out in 2011

Mr N applied for his first loan with Quick Quid in January 2011. It was for an amount of £400. It's difficult for me to conclude that any checks Quick Quid carried out were not proportionate, given the size of this loan and Mr N's recorded monthly income of £1,600. So I can't say that Quick Quid did anything wrong in agreeing this loan for him.

Mr N took out a second loan with Quick Quid on the day he repaid his first. This was for £900. I think Quick Quid should have done more here to check that this loan was affordable for Mr N, given the significant increase in amount applied for and the fact that it was taken out on the same day as he repaid his previous loan. Furthermore, it seems Mr N extended his first loan a number of times. (I appreciate that he may have taken this loan out for more than one payment period; however, it did take Mr N until July to repay it.)

Mr N has supplied this service with copies of his bank statements for the period in question. These show that his long-term and short-term loan repayments came to almost or more than his monthly wages in the three months preceding this second loan. Had Quick Quid looked further into Mr N's circumstances at this point it would have seen that this loan was unaffordable for him and that it should not lend to him. Quick Quid agrees that it could have done more to determine Mr N's financial status at this point and already offered to refund the interest and charges Mr N paid for this loan.

Loans 3 and 4 taken out in 2012

Quick Quid's records show it carried out a credit check around the time of Mr N's third loan taken out in June 2012. This loan was for £950. Bearing in mind that it took Mr N six months to repay his first loan and four to repay his second and that he hadn't repaid any of the principal loan amounts early, I think Quick Quid should have done more here to check that Mr N could afford to repay this third loan.

Mr N's circumstances hadn't improved when he came to borrow this loan. In June 2012 alone he'd repaid almost £2,000 to short-term lenders and had borrowed over £5,500. This continued throughout 2012, for example Mr N repaid almost £8,500 to short-term lenders in September 2012 and borrowed over £4,500 in October. He borrowed his fourth loan (of £500) from Quick Quid that October.

Mr N's financial circumstances fluctuated over the time he borrowed from Quick Quid. I can see from his bank statements that Mr N had a large deposit into his account in February 2012, which I understand was from a property sale. And he also received a large refund in September of that year, which appears to be from gambling funds. However, Mr N was spending regularly on gambling at a level which far exceeded his means and, it seems to me, eroded any additional capital he may have acquired.

Quick Quid says that Mr N requested at least a two period loan each time he made an application to it. This meant he could repay the principal over more than one repayment and so reduce the amount he needed to pay in any one month. I have thought about whether or not this means these loans might have been affordable for Mr N. However, Mr N's financial situation was such that he was not managing to sustainably repay his existing long and short-term loans. This, coupled with his regular and significant (relative to his means) spend on gambling, means that he clearly could not sustainably repay any further lending.

When Mr N asked for loans in June and October of 2012, Quick Quid could have asked him about his expenditure, for example, or asked for copies of his bank statements. Had Quick Quid carried out further checks for either loan, it would have learnt that these loans were not affordable for Mr N and that further lending to him would have been irresponsible.

Loans 5 and 6 taken out in 2013

It took Mr N until April 2013 to repay the £500 he'd borrowed the previous October. He made some additional repayments on the principal in February and March, though also incurred a late payment charge that March.

In 2013, Mr N borrowed twice from Quick Quid – once in April and again in May. Mr N's fifth loan was for almost double the principal of his fourth. Quick Quid records that it checked Mr N's credit file at this point. However, given the loan amount and his loan repayment history, I think the lender should have done more here to assess whether or not Mr N could sustainably make his repayments.

Mr N took out his sixth and final loan with Quick Quid within three days of repaying his fifth. Quick Quid agrees that it could have done more to determine Mr N's financial status at this point and has already offered to refund the interest and charges Mr N paid for this final loan.

Mr N's financial situation hadn't changed in 2013. He'd continued to borrow heavily from short-term lenders throughout this period, repaying about £2,500 in December 2012 and £5,500 in April 2013. Had Quick Quid inquired further into Mr N's ability to repay these loans, it would have seen that Mr N

wasn't managing to repay his existing commitments in a sustainable manner. And it would have understood that both of these loans were unaffordable for him.

Summary

I think Quick Quid should have done more to check if Mr N could afford all his loans, after the first one. Had it done so it would have understood that Mr N was not managing to meet his existing credit commitments in a sustainable manner. It would have known that he would not be able to repay its loans sustainably either and that lending to him would be irresponsible. And so I think Quick Quid should not have agreed any loans, after the first one, for Mr N.

In order to put this right, Quick Quid should:

- refund all interest and charges for Mr N's five loans agreed in the period July 2011 to May 2013.
- 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 these loans from Mr N's credit file.

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

my provisional decision

I plan to uphold Mr N's complaint and require CashEuroNet UK LLC to put things right as set out above.

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

Michelle Boundy
ombudsman