

complaint

Mrs S complains that CashEuroNet UK LLC (trading as Quick Quid) gave her unaffordable payday loans. She wants a refund of the interest she paid and her credit file amended.

background

Mrs S had ten loans and seven top ups from Quick Quid between August 2015 and October 2017. She said the loans were unaffordable due to her other short-term borrowing. Quick Quid said it had carried out proportionate affordability checks and its lending was responsible.

Our adjudicator recommended that the complaint should be upheld in part. She thought Quick Quid's affordability checks had gone far enough for loans one to three, but not thereafter. She thought better checks would have shown that Mrs S couldn't afford to sustainably repay the top up of loan three or loans five to the top up of loan ten. This was due to Mrs S's other short-term loan commitments and her gambling.

So the adjudicator thought Quick Quid had been wrong to approve the top up of loan three and loans five to the top up of loan ten. She thought Quick Quid should refund Mrs S's interest and charges for these loans and remove any related adverse information from her credit file.

Quick Quid replied that it considered that it had lent to Mrs S responsibly. It provided further information about its lending approval process.

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've carefully considered the information provided by Quick Quid about its lending approval process post 2015.

Mrs S's loans were mostly to be repaid in two or three instalments. They were taken in sequence with no significant breaks between them. The first loan was for £150 and the highest expected repayment was £188.40. Loan two was for £150 (£187.20). Loan three was for £200 (£249.60). Mrs S topped up this loan after three days for £350 (£686.40). Loan four was for £200 (£248.00) and this was topped up by £50 (£310.00).

Loans five to the top up of ten ranged in size between £100 and £950. Mrs S's largest expected repayments for these ranged between £133.60 and £1,170.40. From what I can see, Mrs S repaid all her loans.

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

Quick Quid said it asked Mrs S for her monthly income and expenditure. Mrs S stated her income as £2,950 and her expenditure as £1,075 for all her loans. Quick Quid also said it carried out credit checks for Mrs S's loans, but it hasn't provided the results of these. The further information Quick Quid provided about its approval process doesn't provide specific information about Mrs S's particular circumstances for me to consider.

I agree with the adjudicator that these checks were proportionate and sufficient for Mrs S's first three loans. The amounts she borrowed were small and looked affordable compared to her stated disposable income. So I can't say that Quick Quid was wrong to approve these three loans.

But when Mrs S asked for the top up of loan three shortly after taking out the loan, I think Quick Quid should have been alerted to ask further questions. The largest repayment accounted for a quarter of Mrs S's income. The amount she'd borrowed had increased significantly. So I think this pattern and the frequency of Mrs S's borrowing should have prompted Quick Quid to also ask about any other short-term borrowing to check that Mrs S wasn't dependent on these sorts of loans.

Quick Quid said it carried out a credit check at the time. But I haven't been provided with the results. But Mrs S has provided us with her credit report. I can see that when she asked for the top up of loan three she already had a significant commitment to another lender. The repayment for this plus her normal living expenses and regular bills wouldn't leave her with enough to comfortably repay her Quick Quid loan.

So I think that if Quick Quid had made better checks, it would've seen, as I have, that Mrs S couldn't afford to sustainably repay the top up of loan three. And so I think it was wrong to approve it.

Loan four and its top up required smaller repayments but I think Quick Quid should still have made the same checks that they were affordable. Looking at Mrs S's credit file, she didn't have any other short term loans due at the time. So I think sufficient checks would have shown that the loans were affordable for her. And so I can't say that Quick Quid was wrong to approve these two loans.

From loan five onwards, Mrs S borrowed increasing amounts. I think the pattern and frequency of Mrs S's borrowing should have prompted Quick Quid to look closely at her finances and verify what she'd told it before approving further loans. I've looked at Mrs S's bank statements from the time to get this information, but Quick Quid could easily have asked Mrs S for it.

From these I can see that Mrs S was borrowing increasingly frequently from other lenders and she was also gambling heavily. Her income was slightly higher than she'd stated. But Mrs S's normal living costs, bills, short term commitments and gambling didn't leave her with enough to repay her loans from Quick Quid. So I think that if Quick Quid had made sufficient checks, it would have seen, as I have, that Mrs S couldn't afford to repay loans five to the top up of loan ten. So I think it was wrong to approve these loans.

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 Mrs S the interest and charges she paid on the top up of loan three, and from loan five onwards, adding interest at 8% simple per annum 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 Mrs S a certificate showing how much it's taken off if she asks for one.
3. Remove any adverse information relating to these loans from Mrs S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 9 December 2018.

Phillip Berechree
ombudsman