

complaint

Mr O says CashEuroNet UK LLC trading as QuickQuid lent to him irresponsibly. He says he spent almost three years trapped in a borrowing cycle and the overwhelming amount of loans came from QuickQuid. He says QuickQuid shouldn't have approved these loans.

background

Our adjudicator thought the complaint should be partially upheld. QuickQuid disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr O's complaint should be upheld in part. A copy of the background to the complaint and my provisional findings are attached and form part of this final decision.

QuickQuid, and Mr O, confirmed that they had received my provisional decision. Mr O agreed with what I said.

QuickQuid didn't agree with my provisional decision. It said that:

- it provided some information about the checks it had made, it said these showed that Mr O could sustainably repay his loans
- Mr O had a good repayment history
- it couldn't have reasonably known that Mr O was gambling and I didn't provide detailed income and expenditure statements that show the loans weren't affordable

my findings

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

In response to my provisional decision QuickQuid reiterated what it had provided earlier about the checks it made and what these showed.

But I had already considered this information and so it doesn't change my decision about loans 3a and 3b. And I still think that the checks QuickQuid made before approving these loans weren't proportionate. If it had made better checks then it would've seen that Mr O couldn't sustainably afford the repayments to these loans. This was largely due to the fact that his expenditure - including on other short term lending and gambling - was already high in relation to his income.

I outlined in my provisional decision why I thought that Mr O's pattern of lending was indicative of financial problems. I still think this is the case for the same reasons I gave in my earlier decision.

QuickQuid has pointed to Mr O's good repayment history. But he was borrowing and repaying high amounts over time without a break. I think this led to him having a 'hole' in his finances and he needed to borrow again to cover this. So I think the lending pattern itself is evidence of him being unable to sustainably repay these loans. And so I don't need to recreate individual proportionate checks for loans 4 to 13a.

So my final decision is the same as I outlined in my earlier decision and for the same reasons.

putting things right – what QuickQuid needs to do

- refund all interest and charges Mr O paid on loans 3a to 13a;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement*;
- remove any negative information about loans 3a and 3b from Mr O's credit file;
- the number of loans taken from loan 4 means any information recorded about them is adverse. So all entries about loans 4 to 13a should be removed from Mr O's credit file

If Mr O still owes QuickQuid any of the principal balance he borrowed on his final loan QuickQuid should remove all the interest and charges applied to the outstanding balance. QuickQuid should then re-work the account as if all payments made by Mr O went to towards the principal. But importantly, QuickQuid needs to make sure that Mr O doesn't repay more than the principal amount borrowed.

If after doing this Mr O hasn't repaid the principal he borrowed QuickQuid can deduct this from the remainder of the compensation. If, Mr O has already paid enough to repay the principal then any overpayment should be refunded to him with 8% simple* interest from the date of payment to the date of settlement.

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

And if QuickQuid no longer owns this debt, and it wants to make a deduction due to the amount owed, then it should buy it back. If it doesn't then it isn't entitled to make any deductions for it from the amount it needs to pay Mr O.

my final decision

For the reasons I've explained, I partly uphold Mr O's complaint. CashEuroNet UK LLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 10 July 2019.

Andy Burlinson
ombudsman

extract from my provisional decision

This complaint is about 13 payday loans provided to Mr O between November 2014 and July 2017. Some of the information QuickQuid has provided is in a table at the end of this decision.

Our adjudicator upheld Mr O's complaint and thought the loans 3a to 4a, 7b, 7c, 8a to 10 and 11a to 13b shouldn't have been given. QuickQuid disagreed and the complaint was passed to me.

my provisional findings

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

We've set out our general approach to complaints about short-term lending on our website and I've taken this into account in deciding Mr O's case.

I've provisionally decided to uphold Mr O's complaint in part and I've explained why below.

QuickQuid needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr O could repay his loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr O's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might indicate that a lender should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These would include where:

- a consumer's income is low or the amount to be repaid takes up a substantial portion of their income
- the amount, or amounts, due to be repaid are higher
- there is a larger number or higher frequency of loans
- the period of time during which a customer and business have a lending relationship is long

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Bearing all of this in mind, I think that there are three key questions for me to consider in order to fairly and reasonably determine Mr O's complaint. These questions are:

1. Did QuickQuid, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr O would be able to repay in a sustainable way? If not, would those checks have shown that Mr O would have been able to do so?
2. Taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Mr O's indebtedness in a way that was unsustainable or otherwise harmful?
3. Did QuickQuid act unfairly or unreasonably in some other way?

I've carefully thought about all of these questions and what they mean for Mr O's complaint.

did QuickQuid, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr O would be able to repay in a sustainable way? If not, would those checks have shown that Mr O would have been able to do so?

Mr O didn't disagree with our adjudicator's opinion about loans 1 to 3. Because of this I don't think there is any ongoing disagreement about these loans. So I won't be making a decision about this lending. But they were part of the borrowing relationship Mr O had with QuickQuid. So they are something I will take into account when considering the other loans he took.

By loan 3a Mr O, and QuickQuid, had a lending relationship for around three and a half months. Loan 3a was scheduled to take this up to around five months. The amounts borrowed were also relatively high. Mr O borrowed £450 in total by loan 3a, and a further £150 for loan 3b. The highest repayment for loan 3b was over half of Mr O's declared income.

So I think that it would've been proportionate for QuickQuid to fully review Mr O's financial situation before approving this loan. And I think that it needed to verify this information, as far as it could, to get an accurate picture of Mr O's finances. This was to make sure Mr O was in position to make the repayments sustainably.

I don't think QuickQuid did this. As far as I can see it asked Mr O about his income and expenditure and largely relied on this. I can see that it also found out some information from credit reference agencies. So I need to think about what QuickQuid would've seen if it had carried out proportionate checks.

Mr O has provided some information about his financial circumstances; this includes some of his bank statements and a recent credit report. I accept that this isn't exactly what QuickQuid would've seen at the time. But I think it would've found out similar information if it had made proportionate checks, so I think it's reasonable to rely on it.

I can see that his monthly income was around £1,200 before he took these loans. And his expenditure was around £600. But, as our adjudicator outlined, Mr O was borrowing and repaying significant amounts to other short term lenders. This looked to be around £400 a month.

And by this stage, proportionate checks would've also shown QuickQuid that a substantial portion of Mr O's income was going on gambling. And I think that if QuickQuid would've seen this, it wouldn't have thought it was responsible to lend to Mr O.

I think that QuickQuid would've found out this information if it had made proportionate checks. And I think it would've seen Mr O wouldn't have been able repay loans 3a and 3b in a sustainable way. So I think that QuickQuid shouldn't have given loans 3a and 3b to Mr O and I think he's lost out as a result of this. So I'm upholding Mr O's complaint about these loans.

I haven't recreated individual proportionate checks for loans 4 to 13a because I don't think that it is necessary to do so. I'll explain why this is the case in the next section.

taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Mr O's indebtedness in a way that was unsustainable or otherwise harmful?

I've also looked at the overall pattern of lending. I've looked to see if there was a point at which QuickQuid should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so QuickQuid should've realised that it shouldn't have provided any further lending. Given the particular circumstances of Mr O's case, I think that this point was reached by loan 4. I say this because:

- the amounts Mr O was borrowing were generally increasing, or remaining very high in relation to his income. Mr O borrowed £600 in total for loan 4, £800 for loan 11 and £850 for loan 12. QuickQuid ought to have realised it was likely his indebtedness was increasing unsustainably
- Mr O wasn't really reducing the amount he owed QuickQuid. He was in effect paying large amounts of interest to service this debt over an extended period. QuickQuid's records show that he borrowed over a period of 2.7 years. He received £6,100 in loans he paid £3,210.81 in interest and charges over this period.

I think that Mr O lost out because QuickQuid continued to approve loans from loan 4 onwards because:

- these loans had the effect of unfairly prolonging Mr O's indebtedness by allowing him to take expensive credit over an extended period of time

- the sheer number of loans was likely to have had negative implications on Mr O's ability to access mainstream credit and so kept him in the market for these high-cost loans

So I'm upholding Mr O's complaint about loans 4 to 13a because the overall pattern of lending increased his indebtedness in a way that was unsustainable or otherwise harmful and he's lost out as a result.

I can see that QuickQuid responded at length to our adjudicator's opinion. It has also provided a full description of its lending process after 2015. This Service has responded to QuickQuid on these largely generic arguments directly and through earlier final decisions. And the finding I am intending to make isn't affected by the checks QuickQuid made for much of the lending. So I am not going to expand on this point any further here, though I have considered it alongside everything else in making my decision.

did QuickQuid act unfairly or unreasonably in some other way?

I've carefully thought about everything provided. Having done so, I've not seen anything here that leads me to conclude QuickQuid acted unfairly or unreasonably towards Mr O in some other way.

some of the information QuickQuid has provided about Mr O's loans:

loan number	date started	amount borrowed	term (days)	number of repayments	date ended
1	30/11/2014	£400.00	59	2	28/01/2015
2	29/01/2015	£200.00	29	1	27/02/2015
3	14/03/2015	£200.00	45	2	26/06/2015
3a	15/03/2015	£250.00	44	2	
3b	16/04/2015	£150.00	42	2	
4	23/07/2015	£400.00	36	1	28/10/2015
4a	11/08/2015	£200.00	78	2	
5	21/11/2015	£100.00	27	1	18/12/2015
6	20/02/2016	£100.00	33	1	24/03/2016
7	05/04/2016	£50.00	52	2	27/05/2016
7a	08/04/2016	£300.00	49	2	
7b	14/04/2016	£250.00	43	2	
7c	16/04/2016	£50.00	41	2	
8	08/07/2016	£300.00	49	2	26/08/2016
8a	09/07/2016	£300.00	48	2	
9	31/08/2016	£150.00	28	1	02/10/2016
10	17/10/2016	£50.00	42	2	28/11/2016
11	08/12/2016	£400.00	50	2	27/01/2017
11a	09/12/2016	£400.00	49	2	
12	13/03/2017	£300.00	46	2	28/07/2017
12a	14/03/2017	£300.00	45	2	
12b	15/03/2017	£250.00	44	2	
13	30/07/2017	£500.00	60	2	outstanding
13a	31/07/2017	£350.00	59	2	