complaint

Mr G has complained about short-term loans granted to him by CashEuroNet UK LLC trading as "QuickQuid". Mr G says he couldn't afford these loans and that QuickQuid didn't take appropriate steps to check whether he could afford them when he took them out.

background

QuickQuid agreed four short-term loans for Mr G between June 2016 and February 2017. The loans ranged from £200 to £750 and were due to be repaid over between two and three monthly instalments. I've set out a summary of lending below.

loan no.	application	principal amount (£)	no. of instalments due	highest monthly repayment due (£)
1	18/06/2016	250	2	278
2	30/07/2016	750	2	948
3	08/11/2016	300	2	372
4	01/02/2017	200	3	245

One of our adjudicators has looked into Mr G's complaint already and recommended the complaint be upheld in part. She thought the checks QuickQuid carried out for loan 1 were proportionate. But that the checks carried out from loan 2 onwards weren't. And she thought that had QuickQuid carried out proportionate checks, it would've seen that loans 2 - 4 would've been unaffordable for Mr G, and would not have agreed to them.

Mr G raised no objections to the initial view. QuickQuid responded further, disagreeing with the assessment. So the case has come to me, as an ombudsman, for a final decision.

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 also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Our adjudicator, having looked at everything, found that QuickQuid didn't carry out proportionate checks for Mr G's last three loan applications. And thought that had it done so, it would've likely understood these loans would not have been sustainably affordable for him. These findings were set out in some detail in a view letter to the lender.

QuickQuid initially said it carried out appropriate and proportionate affordability assessments, including validation of Mr G's income and expenses before funding all these loans. It's said it started implementing changes to affordability assessments in June 2014 and all the changes were completed by 28 February 2015.

And that starting 1 March 2015, before Mr G borrowed his first loan, it had implemented an affordability review that was consistent with the FCA Handbook and was in place at the time it received authorisation by the FCA. And that its assessment was conducted properly and individually for each of these applications.

I can see that the adjudicator addressed these points in her view. She said:

"I note what you've said about the loans Mr G borrowed from 2015 onwards, however our job is to look not only into the rules and regulations set by the regulator at the time of borrowing but also the law, good industry practice and all the available evidence and arguments to help us decide whether we think what you have done is right or not. In this case I don't think you were right to provide Mr G with some of the loans he borrowed from 2015 onwards."

I fully agree with this point. This service has responded to QuickQuid on this generic argument directly and through earlier final decisions. 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.

I would remind QuickQuid at this point of the Financial Conduct Authority (FCA) guidance in how complaints are to be dealt with **promptly and fairly** (my emphasis) by businesses. In particular DISP 1.3.2A [G] which says that businesses' procedures for complaint handling should …

"ensure that lessons learned as a result of determinations by the Ombudsman are effectively applied in future complaint handling, for example by:

(1) relaying a determination by the Ombudsman to the individuals in the respondent who handled the complaint and using it in their training and development;

(2) analysing any patterns in determinations by the Ombudsman concerning complaints received by the respondent and using this in training and development of the individuals dealing with complaints in the respondent; and

(3) analysing guidance produced by the FCA , other relevant regulators and the Financial Ombudsman Service and communicating it to the individuals dealing with complaints in the respondent."

So my decision will focus on the specifics of Mr G's complaint and what both parties have said about this.

The FCA was the regulator at the time Mr G borrowed the loans in question. Bearing in mind the rules and guidance set out in its Principles for Business (PRIN) and its Consumer Credit Sourcebook (CONC), I would expect a lender's affordability assessment to vary with circumstance. (I am not quoting the specific regulations here because, as before, I would expect QuickQuid to be conversant with these through previous ombudsman decisions, particularly recent decisions, which set these out in detail.)

In general, I'd expect a lender to require more assurance the greater the potential risk to the consumer of not being able to repay the credit in a sustainable way. So, for example, I'd expect a lender to seek more assurance by carrying out more detailed checks

- the higher the loan amount,
- the lower the consumer's income; or
- the longer the lending relationship.

Looking at the specifics of Mr G's complaint, at the time of taking out his first loan with QuickQuid, he borrowed £250, due to be repaid over two months, with a highest monthly repayment of £278. When Mr G made this application, QuickQuid recorded his monthly income as £2,766 and his total monthly living expenses as £477. So it would've seemed to QuickQuid that Mr G had a monthly disposable income of around £2,289 when he applied.

Given this was the first loan Mr G had taken out with QuickQuid, and taking into consideration the size of the monthly repayments in relation to the monthly income Mr G disclosed, I think QuickQuid's checks went far enough at this time. And from what I've seen from the results of those checks, I think it was reasonable for QuickQuid to have concluded this loan would've been affordable for Mr G. So I don't think it was wrong in approving loan 1.

Mr G repaid his first loan around mid-July 2016, and around two weeks later, he approached QuickQuid again to borrow further funds. On 30 July 2016 QuickQuid approved Mr G's application and he was granted a loan of £750, repayable over two months, of which the highest repayment was £948. But when Mr G applied for loan 2, his reported monthly income had decreased significantly from the figure he'd declared just two weeks prior, with QuickQuid this time recording a monthly income for him of £1,680, which was over £1,000 less than he'd quoted just six weeks prior.

Given the significant increase in the amount Mr G was borrowing, as well as the significant decrease in the monthly income he was declaring in a relatively short space of time; I think QuickQuid's checks should've gone further. And I think in this instance, proportionate checks would've included QuickQuid building a full picture of Mr G's financial circumstances and verifying the information it was given, so that it could satisfy itself that Mr G could meet these repayments in a sustainable manner.

Mr G went on to take out two further loans with QuickQuid. Loan 3 was for £300 repayable again over two monthly instalments, with a highest repayment of £372. And loan 4 was for £200 repayable over three monthly instalments, with a highest monthly repayment of £245.

Both loans were taken out shortly after the previous loans had been settled, and at the time of taking out the third loan, Mr G seemed to have been unable to free himself of the need to take out short-term credit over a period of around five months. So I think that from loan 3 onwards, QuickQuid should've continued to build a full picture of Mr G's financial circumstances and verified the information it was given before agreeing to lend to him.

So I've gone onto look at what I think QuickQuid would've found out, had it carried out proportionate checks.

Had QuickQuid carried out a full review of Mr G's financial situation when he applied for loan 3, I think it would've seen that his monthly income was actually less than he'd declared and that he was earning around £1,270 a month. It would've also seen that his total monthly outgoings, which include his monthly living costs, and both his regular and short-term credit commitments were around £570. Which meant Mr G was left with around £700 out of which to meet his monthly repayments.

Given that the highest repayment on this loan was around £950, I think proportionate checks would've shown QuickQuid that Mr G had insufficient disposable income available to meet the repayments on this agreement in a sustainable manner. And as a responsible lender, I don't think it would've approved this application knowing this.

QuickQuid has argued that as Mr G's loans were repayable over between two and three months, that he would've accrued disposable income over time which would've allowed him to gather sufficient funds to meet his repayments.

But at the point Mr G took out his second loan, he was already borrowing from several other short-term lenders on a regular basis. And at the point of taking out this loan, only two weeks had passed since he'd cleared his previous loan, before he needed to borrow again.

Proportionate checks would've also shown QuickQuid, that in the month prior to taking out this loan, Mr G had spent over £3,000 on online gambling sites, spending at times as much as £1,000 a day.

So had QuickQuid carried out proportionate checks at the time of Mr G's application for loan 2, I think it would've seen he was not in a position to accumulate disposable monthly income, in order to meet larger repayments due in later months. And that his current level of financial commitments meant he had insufficient disposable income available to meet the largest repayment on this loan.

I think QuickQuid would've also seen that Mr G was spending more than twice his monthly income on online gambling and/or gaming sites. So I think it would've therefore likely concluded that Mr G was in no position to meet the repayments on this loan sustainably, and as a responsible lender would not have agreed to loan 2.

Loans 3 and 4 were taken out in relatively short succession, and at the time Mr G applied for these loans, his circumstances remained relatively the same. He continued to earn between £1,200 and £1,700 a month. And his regular monthly living costs and regular credit commitments remained around £450 - £500 a month.

But at the time of taking out loan 3, proportionate checks would've also shown QuickQuid that Mr G owed in excess of £3,000 that month to eight other short-term lenders, which was around twice his monthly income. And I think it would've also seen that he was still spending over £2,000 a month on online gambling sites.

Mr G's circumstances at the time of taking out loan 4, were much the same. And while his income had increased slightly to around £1,700 a month, his short-term credit commitments alone were around £1,000 that month, and he'd again spent in excess of £2,000 the previous month on online gambling/gaming sites.

So I think proportionate checks would've shown QuickQuid, that at the time Mr G applied for loans 3 and 4, his total monthly outgoings were already well in excess of his monthly income, and he was in no position to be able to commit to himself to any further credit repayments at this time. And as a responsible lender, would not have agreed to these loans.

In summary, I think proportionate checks would've shown QuickQuid that loans 2 - 4 would've been unaffordable for Mr G, and it wouldn't have agreed to them.

what QuickQuid should do to put things right

For the reasons outlined above, I think QuickQuid should not have agreed to loans 2 – 4 for Mr G. So it needs to refund all of the interest and charges Mr G paid on these loans.

Specifically, it should:

– refund the interest and charges paid for the loans it agreed between July 2016 and February 2017

- pay interest on these refunds at 8% simple from the date of payment to the date of settlement
- remove any adverse information about these loans from Mr G’s credit file

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

my final decision

For the reasons set out above I uphold Mr G’s complaint in part.

And I require CashEuroNet UK LLC to put things right as described above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 27 March 2019.

Brad Mcilquham
ombudsman