

## complaint

Mr W has complained about short-term loans granted to him by CashEuroNet UK LLC trading as Quick Quid ("Quick Quid" or "the lender"). Mr W says Quick Quid was irresponsible to lend to him, that he couldn't afford the loans and fell behind on his other outgoings in order to repay these loans.

## background

Quick Quid agreed five loans for Mr W from August 2015 to August 2016. The amounts ranged between £50 and £500 and the loan terms ranged from one to three months. Some of the information the lender provided is shown in the table below (with figures rounded to the nearest pound).

This includes a 'monthly estimated disposable income' figure or 'EDI'. I don't know exactly how this was calculated but I understand it incorporated information about monthly credit commitments from Mr W's credit file checks.

	Start	Repaid	Principal (£)	Repayments (£)			Original term (days)	Monthly EDI (£)
				1	2	3		
1	03/08/2015	30/10/2015	300	52	54	352	88	748
2	09/11/2015	31/12/2015	100	18	124	-	52	748
3	19/01/2016	01/03/2016	50	5	62	-	42	624
4*	06/03/2016	04/08/2016	500	110	612	-	54	748
5	30/08/2016	27/03/2017	50	12	13	62	93	53

\* The original amount agreed for loan 4 was £100 on the 2<sup>nd</sup> March 2016 to be repaid in two instalments but three further advances or 'top-ups' were agreed within a matter of days (on the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> of March) taking the total principal for this loan to £500.

It seems Mr W had difficulty repaying his fourth loan and was charged late fees and default interest. He set up a number of repayment plans before eventually managing to repay it.

Our adjudicator partially upheld Mr W's complaint and recommended that Quick Quid refund the interest and charges that he paid from the second time he 'topped up' his fourth loan (05/03/2016) to the final payment he made on loan 5.

Mr W didn't respond to our adjudication. Quick Quid didn't agree with the recommendation and 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 have 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 Quick Quid didn't carry out proportionate checks for any of Mr W's loans. And, had it done so, the lender would likely have understood that some of these loans were not sustainably affordable for him because

of the amount Mr W spent on gambling and because he was self-employed for some of this period. These findings were set out in some detail in a view letter to the lender.

In response to this view, Quick Quid issued its standard letter to argue that by the 1 March 2015, after it became fully authorised by the Financial Conduct Authority (FCA), it carried out appropriate and proportionate affordability assessments in line with the regulator's guidance and, because Mr W's loans were issued after this date, they were not irresponsibly lent. It said:

*"In response to FOS' assessment which recommends CashEuroNet UK uphold loans which were funded after March 2015, we regret to inform you that cannot agree to FOS' recommendations. Please note that in CashEuroNet UK's initial response to FOS we provided detailed information indicating why the loan(s) were responsibly lent to Mr [W]. Furthermore, we would like to advise that we are currently in talks with senior management at FOS to amicably resolve this outstanding issue, therefore we kindly ask that you move this case for ombudsman queue for a final decision."*

Quick Quid didn't comment on our adjudicator's case-specific findings about the proportionality of its checks or the affordability of the loans, nor did it provide any new information for me to consider.

This Service has already responded to Quick Quid on this generic argument directly and through earlier final decisions. So I am not going to address this point here, though I have considered it alongside everything else in making my decision.

I would remind Quick Quid at this point of the FCA's 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."*

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

The FCA was the regulator at the time Mr W 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 Quick Quid 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.

Turning to the specifics of Mr W's complaint, our adjudicator didn't think the checks Quick Quid carried out went far enough for any of his loans. Following on from this, they found that, had the lender made further enquiries about Mr W's usual expenses, specifically his housing costs, and asked him about any other short-term loans he had outstanding, it was likely to have thought that loans 1 to 3 and the initial borrowing on loan 4 were affordable. And our adjudicator found that Quick Quid didn't lend irresponsibly in these instances.

However, our adjudicator found when Mr W asked for his second top-up on his fourth loan, which brought the principal borrowed to £200, Quick Quid ought to have been concerned about Mr W's dependency on its loans and should have gathered a clearer picture of his finances at this point. For the same reasons, Quick Quid ought to have done more when Mr W topped up this loan a third time and asked for a fifth loan within a few weeks of repaying the previous one.

Our adjudicator explained this in some detail in their view, and also explained that had Quick Quid sought a more comprehensive picture of Mr W's finances it would likely have learnt that he was spending a large proportion of his income on gambling, and that by loan 5 his income had decreased as he was now self-employed. Armed with this knowledge, as a responsible lender, Quick Quid wouldn't have agreed the two later top-ups on loan 4 or loan 5.

I agree with this outcome on both loans. I've also thought about the loan structure – Mr W's fourth loan was to be repaid in two instalments, as was each further advance. When Mr W asked for his second advance on loan 4, I don't think it was reasonable for Quick Quid to think that he would have been in a position to carry any surplus forward to help spread his repayments, given he'd asked for further credit within a few weeks each time he repaid a loan, and that this was his third advance within a few days.

In coming to my decision, I have also considered what Quick Quid said in its original submission to this Service. I've looked at the estimated disposable figures it provided, and while I have some concerns about how they have been calculated, I don't think the figures of themselves show that Quick Quid did something wrong in agreeing loans 1 to 4 for Mr W. However, it ought to have done more to check that its loans were sustainable for him, the longer he borrowed from it. And I note that the estimated disposable income figure Quick Quid calculated for Mr W's final loan was greatly reduced from the figure it calculated five or so months previously.

Quick Quid said *"Mr [W] showed no signs of dependency or financial difficulty. Had this been prevalent or if Mr [W] advised of such, QuickQuid could have offered assistance..."*. The lender's own records show that Mr W cancelled payments for his fourth loan and set up a number of payment plans. I think Quick Quid had seen sufficient signs of difficulty here irrespective of whether or not Mr W specifically raised the issue.

In summary, I agree with our adjudicator's recommendation and reasoning. I think Quick Quid didn't carry out proportionate checks when Mr W applied for his loans. And, had it done so, it would likely have seen that Mr W wouldn't be able to meet some of his repayments sustainably. And, as a responsible lender, it would not have agreed to these.

### **what Quick Quid should do to put things right**

Quick Quid was irresponsible to lend to Mr W from 5<sup>th</sup> March 2016 when it agreed the second advance on his fourth loan. In order to put Mr W back in the position he would have been in, Quick Quid should:

- refund all interest and charges for Mr W's loans as agreed from 5<sup>th</sup> March 2016, namely loan 4 (second top-up onwards) and loan 5.
- 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 from Mr W's credit file;

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

### **my final decision**

I uphold Mr W's complaint and direct CashEuroNet UK LLC trading as Quick Quid to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 March 2019.

Michelle Boundy  
**ombudsman**