

complaint

Mr C complained that CashEuroNet UK LLC (trading as QuickQuid) gave him loans that he couldn't afford to repay.

background

The background to this complaint was set out in the provisional decision I issued last month. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to partly uphold the complaint. I thought the decision to give Mr C his first loan had been reasonable. But I didn't think he should have been given the second - a FlexCredit loan. I invited both parties to let me have any further comments and evidence. Mr C has told us that he accepts my provisional findings. CashEuroNet provided us with some further comments.

Although I've summarised here what CashEuroNet told us, I have considered the comments in their entirety. CashEuroNet has said that the Office of Fair Trading (OFT) guidance at the time didn't place any restrictions on rolling loans over. It feels that Mr C's situation and his past repayment history didn't give any indication he wouldn't be able to repay his loan. And CashEuroNet doesn't think that it should bear any responsibility for the choices made by Mr C on how he spent his income – particularly given the relatively short period that he was borrowing from it.

my findings

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And having done so I don't see any reason to change my provisional decision.

I entirely agree with CashEuroNet that the OFT guidance from the time didn't require the lender to restrict the number of rollovers it gave to a consumer. And I haven't reached any adverse conclusions on those rollovers in my findings. But I still think that a consumer rolling a loan over, on two occasions, should alert a lender to the possibility that he is facing some degree of financial difficulty. I can't therefore agree that QuickQuid had no reason to think Mr C wouldn't be able to make the repayments on the second loan – the FlexCredit account.

And whilst the lender isn't responsible for how Mr C chose to spend his money, that information should influence its assessment about whether the loan was affordable for him. I think that knowing more about Mr C's financial situation would have led QuickQuid to conclude that Mr C couldn't afford to repay his loan without resorting to further lending. And so it shouldn't have given him the FlexCredit account.

putting things right

I don't think QuickQuid should have agreed to lend to Mr C in October 2013. So for that loan CashEuroNet UK should;

- Refund any interest and charges applied to it, adding simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*.
- Remove any adverse information recorded on Mr C's credit file in relation to this loan.

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

my final decision

My final decision is that I uphold Mr C's complaint about the loan he took in October 2013. But I don't uphold his complaint about his loan from May 2013.

I direct CashEuroNet UK LLC to pay him compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 December 2016.

Paul Reilly
ombudsman

EXTRACT FROM PROVISIONAL DECISION

complaint

Mr C complains that CashEuroNet UK LLC (trading as QuickQuid) gave him loans that he couldn't afford to repay.

background

Mr C first borrowed from QuickQuid in May 2013. He borrowed £400 and QuickQuid has explained that this was a two period payday loan – that means that Mr C didn't need to repay it until the end of June. But he wasn't able to repay his loan then – he rolled it over twice before finally repaying it in September 2013. Then, in October 2013, Mr C took a "FlexCredit" loan from QuickQuid. This was a revolving credit account that allowed him to borrow up to a pre-approved credit limit of £650. Each month he needed to repay 10% of what he'd borrowed plus any accrued interest. Mr C took the full amount of credit immediately, but repaid the loan the following month.

Mr C's complaint has been assessed by one of our adjudicators. He thought that QuickQuid hadn't done enough checks before lending to Mr C, and should have realised that the loans were unaffordable. So he recommended the complaint be upheld. QuickQuid disagrees and has asked, as it is perfectly entitled to, that the complaint be decided by an ombudsman.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr C could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr C was borrowing and his lending history, but there was no set list of checks QuickQuid had to do.

It seems that when Mr C first borrowed from QuickQuid the lender asked him about his normal monthly income. And QuickQuid says that it obtained a copy of Mr C's credit report from a credit reference agency. But the amount Mr C needed to repay was quite significant compared to his normal monthly income – albeit that he had a little longer than normal with a payday loan to make the repayment. So I don't think the checks QuickQuid did were enough – I think it would have been important to understand what Mr C's normal outgoings were before deciding whether he was likely to be able to afford to repay this loan.

So I've considered the information QuickQuid was likely to have got if it had asked Mr C about this expenditure. It is clear from his bank statements that Mr C didn't have much, if any, disposable income at the time he asked for this loan. But it seems that a lot of Mr C's problems were because of the amount he was spending at that time on gambling. And I don't think that this would have been readily apparent to QuickQuid even if it had asked Mr C about his normal expenditure. So I don't think that the lender, having gathered information about Mr C's normal expenditure, would have considered this loan unaffordable.

I think that it was reasonable for QuickQuid to have given this loan to Mr C.

As I said earlier, Mr C had needed to rollover his first loan on two occasions. So I think this should have alerted the lender that there were problems with Mr C's financial position. So when QuickQuid was assessing Mr C's next application, for the FlexCredit account, I think it should have considered it needed to do greater checks.

But it doesn't look as though that was the case. Instead it looks as though QuickQuid chose to rely on the information it had gathered from Mr C, and the credit reference agency, during the time he held the first loan. But by the time of this application that information was at least two months old. So I don't think the checks performed here were enough either.

Mr C's financial position hadn't improved since he took out the first loan. But since I think QuickQuid should have been making stronger enquiries into Mr C's finances by this stage, I think it would have discovered both his gambling expenditure and also that by now he was taking a number of other payday loans. And this would have shown the lender, quite clearly, that Mr C wasn't going to be able to make the minimum payments on this loan in a sustainable manner.

So I don't currently think QuickQuid should have agreed to lend to Mr C at this time, and so it needs to pay him some compensation.

putting things right

I don't think QuickQuid should have agreed to lend to Mr C in October 2013. So for that loan CashEuroNet UK should;

- Refund any interest and charges applied to it, adding simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*.
- Remove any adverse information recorded on Mr C's credit file in relation to this loan.

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