

## **complaint**

Mr H complains about 11 payday loans and one flex account he took out with CashEuroNet UK LLC (trading as Quick Quid) which he says Quick Quid shouldn't have given him because the borrowing wasn't affordable.

## **background**

Mr H's borrowing history can be found in the appendix to this decision.

The background to this complaint was set out in my provisional decision dated 15 March 2017. 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 wasn't minded to uphold Mr H's complaint. I invited both parties to let me have any further comments and evidence. Mr H didn't have anything further to add. But Quick Quid made some additional points, in summary it says;

- Prior to April 2014 Quick Quid wasn't required to keep a record of Mr H's expenditure.
- Quick Quid carried out affordability and creditworthiness checks to verify the reasonableness of Mr H's self-reported income. But it can't provide me with the full affordability results as these are commercially sensitive.
- While Quick Quid has taken into account that Mr H had other payday loans (including ones with its sister company) this wouldn't mean he would be rejected for a loan because of his financial commitments.
- There was a gap of 31 days between his third and fourth loan and while the amount borrowed didn't increase the top ups were approved because he hadn't reached his approval limit.
- There was no evidence that Mr H was experiencing any financial difficulty and he repaid his loans on the due date and didn't incur any late fees. So Mr H had a good repayment history.
- Quick Quid says that at the time the Flex credit account was approved it was under no obligation nor was it industry practice to assess credit worthiness during the term of the agreement.
- But Quick Quid did accept that some further checks should've been carried out on loans 5 and 6. So Quick Quid made an offer to refund the interest and charges on these loans and the refund amount came to £1,202.16.

## **my findings**

I've once again 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 still think Mr H's complaint should be partly upheld.

Quick Quid says that before April 2014 it wasn't required to take details of Mr H's outgoings. But as I explained in my provisional decision, there was no set list of checks Quick Quid had to do – but it did have to make sure that Mr H was able to sustainably repay his loans, which means that Quick Quid may have wanted to have known about Mr H's outgoings. So although Quick Quid can't give me the full results of all of the checks that it carried out, I don't think these went far enough by conducting what I'd consider to be proportionate checks.

I do accept that Mr H having other payday loans wouldn't mean that Quick Quid would automatically reject an application. But Quick Quid needed to consider whether Mr H could afford his loan repayments so I think that for some of the loans Quick Quid would've wanted to have known what his other short term lending commitments were. And had Quick Quid found out about these commitments it's likely it would've seen that he didn't have enough disposable income to afford his loan repayments.

I can see there was a gap of 31 days before the forth loan was approved. And while the sums borrowed were relatively small compared to Mr H's declared income. But as I've said in my provisional decision, I think given his borrowing history and that Mr H had recently had a loan with Quick Quid's sister company, would've made Quick Quid think whether the checks it carried out went far enough. And as I've explained in my provisional decision, I think by this point Quick Quid would've wanted to know about Mr H's other short term lending commitments.

I accept under guidance at the time that Quick Quid didn't need to assess Mr H's creditworthiness during the term of the flex credit agreement. But Quick Quid had to make sure that Mr H could afford to repay the maximum monthly repayment amount as set by the credit agreement. But as I've explained in my provisional decision, I think by the time the flex credit account was given to Mr H, Quick Quid would've wanted some further information about Mr H's financial situation given his borrowing history. And had further checks been carried out it would've have lent to Mr H.

Although Mr H didn't incur any late fees – that doesn't mean that he wasn't having financial difficulties. But Mr H had to take out other payday loans in order to pay off his loans with Quick Quid. and given the number of loans Mr H had, I think there is enough evidence to show that at times Mr H had become dependent on the borrowing – which could've been apparent at the time had Quick Quid carried out what I'd consider to be proportionate checks.

I appreciate that Quick Quid has made an offer to settle loans five and six but this is less than I recommended in my provisional decision, but Quick Quid hasn't given me enough to make me think that the offer is fair. So I've carefully considered the additional information Quick Quid has given me including the offer it has made, as well as everything I saw before making my provisional decision. Having done so, I still don't think Quick Quid carried out proportionate checks on all of the loans and had it done so, it would've realised that not all the loans were affordable.

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

To put things right for Mr H, Quick Quid should:

- refund all the interest and charges applied to loans 4, 5, 6, 8, 9, 10, 11, 12 and the flex account (loan 7)
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †; and
- remove any adverse information recorded on Mr H's credit file because of these loans.

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

### **my final decision**

For the reasons I've explained above, I'm intending to partially uphold Mr H'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'm required to ask Mr H to accept or reject my decision before 25 May 2017.

Robert Walker  
**ombudsman**

## EXTRACT FROM PROVISIONAL DECISION

Quick Quid has explained that it carried out credit checks which included looking at credit scoring information as well as other third party reports. But again I can't be sure exactly what it searched and what it saw as a result of those searches. But Mr H has provided me with a copy of his credit file. And although, I can't be sure exactly what information Quick Quid searched, I've taken into account the information I've seen on Mr H's credit file. This is because I think it's likely that Quick Quid ought to have been aware of some if not all of the information given Mr H's circumstances at the time.

So Quick Quid says that based on the information it gathered about Mr H, it was reasonable to lend to him. But I've thought about what Quick Quid says and Mr H's circumstances at the time each loan was approved. And having done so, I don't think all the checks Quick Quid carried out were proportionate for all of the borrowing.

I'm also aware Quick Quid does share a system with its sister company. So although I can't be sure what information it would've seen, based on what I know I think Quick Quid would be aware of how Mr H had managed his loans with its sister company. I've been mindful of this when reaching my conclusions.

Mr H had a number of payday loans, which were either due to be paid at his next payday or structured in such a way that he could repay the loan over two paydays. Mr H also had a flex account, which is slightly different to a payday loan. A flex account allowed Mr H to draw down up a pre-set limit with the monthly repayment determined by how much Mr H had borrowed, interest accrued and all charges.

The information Mr H gave Quick Quid about his income was plausible for his first and second loan. These loans were to be repaid over two paydays. Quick Quid says a credit check and an affordability check were carried out but I don't know what the results were. But due to the amount Mr H had to repay, the time he had to repay and what his income was. I consider the checks Quick Quid carried out to be proportionate, so it doesn't have to take any further action in relation to these loans.

I do appreciate that Mr H had other payday loans that needed to be repaid at this time, which would've reduced his disposable income. But I can't conclude Quick Quid ought to be aware of these from what I consider to be proportionate checks.

Loan three was taken out a year after Mr H borrowed loan two, which could've indicated to Quick Quid that Mr H wasn't reliant on payday loans. Although in that time Mr H had a loan with Quick Quid's sister company but Mr H kept up to date with his repayments and didn't incur any late fees.

Mr H's income had also increased but Quick Quid wasn't aware of this at the time. Quick Quid says affordability checks were carried out, but again I don't know what it saw. But for the first borrowing on this loan I think those checks, in my opinion were proportionate, given that Mr H was borrowing a small amount compared to his income and the information he provided Quick Quid was plausible.

However, Mr H then topped up this loan by borrowing three times what he had originally been given. So I think this should've prompted Quick Quid to ask Mr H some further questions about his regularly monthly spending. But had it done so I still think it would've lent to Mr H because he had enough disposable income to be able to make the repayments. So I think Quick Quid would've still lent to him.

Mr H's fourth loan was taken out around one month after loan three was repaid. But, by the time Mr H applied for his loan he'd already been approved for an instalment loan with Quick Quid's sister company. So given there was an outstanding loan with Quick Quid's sister company I think it should've thought very carefully whether income and affordability checks were sufficient. I don't think Quick Quid's checks went far enough, and by now, I'd have expected it to ask not just about his regular commitments but also what his liabilities were to other short term lenders.

But I can't say for sure what the proportionate checks would've shown. So I've used Mr H's bank statements – which may not have shown up everything Quick Quid would've seen. But the bank statements are the best indication of Mr H's ability to repay the loans at the time, so I don't think it's unreasonable to rely on these.

I've looked at Mr H's bank statement, and when you take into account his short term liabilities as well as his regular monthly living costs Mr H didn't have any disposable income to make his repayments. So he wasn't in a position to sustainably repay the loan he had taken out and Quick Quid would've realised this had proportionate checks been carried out.

Mr H applied for loan five the day after he'd repaid his fourth loan and he also asked to borrow substantially more than he had on his previous loans. Mr H also topped up this loan with further funds twice within the same week. So I think by this point Quick Quid should've realised that it needed to undertake further checks to make sure that Mr H was able to afford the loan. So I would've consider proportionate checks to have included asking Mr H some detailed questions about his spending or to have asked to see his bank statements.

I've looked at his bank statements and I don't think the loan was affordable. Mr H's existing short term credit commitments together with his normal living costs, regular credit commitments and his gambling exceeded his monthly income. So I can't see how he would've been able to sustainably repay the loan without it adversely affecting his financial position, which Quick Quid would've been aware of if proportionate checks had been carried out.

Mr H had topped up his fifth loan and so when Quick Quid lent Mr H his sixth loan and gave him his flex account I think Quick Quid's checks needed to go further because of Mr H's borrowing history. So I'd consider considered proportionate checks to have included asking some detailed questions about his spending or Quick Quid could've asked for his bank statements.

I've reviewed Mr H's bank statements and his financial position doesn't improve during the remaining part of 2013 or during 2014 and so I don't think Mr H was in a position to sustainably repay his loans. So had Quick Quid carried out what I consider to be proportionate checks it would've likely found out the loans weren't affordable and wouldn't have lent to Mr H.

There is then a break of eight months between Mr H's last draw down on the flex account and him taking out loan number eight. But during this break Mr H was taking instalment loans with Quick Quid's sister company. Quick Quid has shown me that it asked Mr H some questions about his outgoings. But I think given Mr H's borrowing history and that had Quick Quid previously carried out sufficient checks it would've know he was gambling. So I think Quick Quid should've thought carefully about whether the checks it carried out gave it enough information to show Mr H could repay the loan.

And having looked at Mr H's bank statements I don't think the loan was affordable. Mr H's financial position hadn't improved since 2014 –he was still reliant on payday loans and was still spending a significant amount of his income each month on gambling, which Quick Quid would've picked up had it had more detailed information about his circumstances. In addition, having looked at Mr H's credit file, I can see that he had defaulted on a number of accounts in the middle of 2014 and had entered into a number of repayment plans with another payday lender. So although Quick Quid can't tell me exactly what the results of its credit checks were, I think given that Mr H's credit score would've shown a downward trend it's likely that some, if not all, of this information would've been picked up by Quick Quid.

For the remaining loans I'm satisfied that Mr H was becoming dependent on payday loans. He was regularly borrowing and the amounts he was borrowing were increasing. So I think by this time asking Mr H about his income and outgoings wasn't proportionate. I think Quick Quid would've wanted to fully understand Mr H's financial position, and I think it could've done this in a number of ways such as asking some detailed questions or asking to see his bank statements.

Having reviewed Mr H's bank statements through this period I'm satisfied that he had become reliant on payday loans and was spending a significant amount each month on gambling. This meant Mr H wasn't in a position to meet his everyday living costs as well as repay his loans from Quick Quid. So I can't see how Mr H could've have sustainably repaid his borrowing from Quick Quid. All of this means I think that not only did Quick Quid fail to carry out proportionate checks but that Mr H also lost out as a result. And so had it conducted proportionate checks it would've seen that the loans weren't affordable and it wouldn't have lent to him.

## Appendix

Loan number	Loan / top up amount	Received date	Repayment date
1	£300	13/07/2011	26/10/2011
2	£250	31/10/2011	25/01/2012
3	£50	10/11/2012	18/12/2012
	£150	28/11/2012	
4	£150	18/01/2013	25/03/2013
	£100	20/01/2013	
5	£600	25/03/2013	25/09/2013
	£150	02/04/2013	
	£50	08/04/2013	
6	£300	30/09/2013	23/12/2013
	£75	04/10/2013	
	£75	06/10/2013	
	£25	09/10/2013	
7 (flex account limit £900)	£100	04/01/2014	10/06/2014
	£100	06/01/2014	
	£100	07/01/2014	
	£150	10/01/2014	
	£400	12/01/2014	
	£90	05/02/2014	
	£200	04/03/2014	
	£300	07/03/2014	
	£50	12/03/2014	
	£100	13/03/2014	
	£100	16/03/2014	
	£100	18/03/2014	
	£50	30/03/2014	
	£50	01/05/2014	
	£100	06/06/2014	
8	£200	18/02/2015	01/03/2015
9	£250	11/03/2015	22/05/2015
	£150	13/03/2015	
10	£100	12/06/2015	19/09/2015
	£450	25/07/2015	
11	£150	12/10/2015	25/01/2016
	£275	14/10/2015	
	£125	17/10/2015	
	£100	07/11/2015	
12	£400	01/05/2016	25/07/2016