

complaint

Mr L says that Quidie Limited irresponsibly lent to him.

background

This complaint is about 4 instalment loans Quidie provided to Mr L between October 2017 and August 2018. Mr L's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Approx. Maximum Repayment
1	05/10/2017	31/03/2018	6	£150.00	£39
2	31/03/2018	20/06/2018	6	£200.00	£53
3	30/06/2018	17/07/2018	6	£250.00	£67
4	25/08/2018	14/11/2018	3	£200.00	£89

Mr L says that the amounts of the loans he took with Quidie were small to begin with until they became more and more with each loan. And he says this only increased his debt. He says that if Quidie had asked him for further information on his applications it would have seen he had a high amount of debt including multiple gambling transactions at the time.

Our adjudicator upheld Mr L's complaint and thought that Quidie shouldn't have given Mr L any of the loans. As Quidie hasn't accepted this view the complaint has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to 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 - including all of the relevant rules, guidance and good industry practice - on our website.

Quidie 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 L could repay the 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 the consumer'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 point to the fact that Quidie should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I think that it is important for me to start by saying that Quidie was required to establish whether Mr L could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr L's complaint.

Our adjudicator explained that he felt that the information Quidie gathered showed Mr L was having problems managing his money. And that in these circumstances, he thought that Quidie ought to have realised it was unlikely Mr L would have been able to sustainably repay the first – and any subsequent loans.

I've looked at the information that Quidie obtained before each loan. This included credit reports which showed what loans Mr L had outstanding. I can see that the report Quidie obtained before granting the first loan showed that Mr L had in excess of 12 outstanding unsecured loans / advances against income. And that nine of these were taken out within the two previous months. The credit reports for the other three loans were not dissimilar.

I agree with Quidie that Mr L repaid his loans with it either on time or early. I also agree that he managed to substantially reduce his overall indebtedness, as revealed by the searches, over the period he had loans with Quidie. But that doesn't mean that the lending was sustainable. I think that, in the circumstances of this complaint, from the lending history revealed by the credit checks Quidie undertook it should have concluded that Mr L was under serious financial pressure and was having to take out loans to repay other loans. Rather than using them to meet a short-term cash-flow problem.

So I find that Quidie should not have made any of the loans to Mr L.

putting things right – what Quidie needs to do

- refund all interest and charges Mr L paid on his loans with it;
- 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†; and
- remove any negative information about these loans from Mr L's credit file;

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

my final decision

For the reasons given above, I'm upholding Mr L's complaint. Quidie Limited should make the payments and adjustments set out above.

Ros Barnett
ombudsman