complaint

Mr B complains that CashEuroNet UK LLC trading as Quick Quid gave him loans that were unaffordable.

background

Mr B took out three loans from Quick Quid between October 2015 and January 2016, and he's repaid all the borrowing. Here's a summary of Mr B's borrowing history with Quick Quid:

- Loan 1 – £250 taken out on 1 October 2015
- Loan 2 – £400 taken out on 27 December 2015
- Loan 3 – £350 taken out on 28 January 2016

One of our adjudicators looked into Mr B's complaint. He thought that the affordability checks Quick Quid carried out were proportionate for loan 1, but not for loans 2 and 3. And had it carried out proportionate checks, he thought Quick Quid would've discovered the payments Mr B was making to online gambling sites when he applied for loan 3. These payments didn't leave Mr B with enough disposable income to repay his loan sustainably. So he didn't think Quick Quid should've given loan 3 to Mr B.

Quick Quid didn't agree with our adjudicator's findings. In summary, it said that it would've only become aware of Mr B's gambling if he'd volunteered that information. Quick Quid also pointed out that Mr B repaid loan 3 early, which it thought showed that the loan was affordable. And in any event, the repayment on loan 3 should be considered as a priority debt, so Mr B had an obligation to repay his loan before using funds on his gambling habit.

Because no agreement was reached, the complaint has been passed to me.

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.

Having done so, I uphold Mr B's complaint in part. I'll explain why.

Quick Quid was required to lend responsibly. The Financial Conduct Authority (FCA) was the regulator in place when Mr B took out his loans. Quick Quid needed to make checks to see whether Mr B could afford to pay back each loan sustainably – before it lent to him. There was no set list of checks it needed to do, but those checks needed to be proportionate to things such as the amount Mr B was borrowing, his credit history and financial position at the time.

The FCA's regulations for lenders are set out in its Consumer Credit Sourcebook (CONC). These regulations – in CONC 5.3.1(2) – require lenders to take *"reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences"*. CONC 5.3.1(6) defines "sustainable" as being able to make repayments without undue difficulty. And it explains that this means borrowers should be able to make their repayments on time while meeting other reasonable commitments, out of their income and savings, and without having to borrow to meet these repayments.

The guidance also lists examples of sources of information for the firm to use in its creditworthiness assessment, which may, depending on the circumstances, include some or all of the following: its record of previous dealings, evidence of income, evidence of expenditure, a credit score, a credit reference agency report and information provided by the customer.

Quick Quid says it asked Mr B for his income and expenditure before agreeing the loans. It also says it carried out checks to determine the reasonableness of Mr B's self-reported income and expenditure. Quick Quid also pointed out that there was a gap of around two months between Mr B repaying loan 1 and taking out loan 2.

When Mr B applied for loan 1, he declared his income as £790 and expenditure as £340. That would've left him with a disposable income of £450 and the repayment amount on loan 1 was £301.30. Considering this was Mr B's first loan with Quick Quid, and looking at the repayment amount compared to his income, I think Quick Quid's affordability checks were proportionate for this loan. And based on the information it had, the loan would've appeared affordable. So I can't say it did anything wrong by giving Mr B this loan.

Mr B declared his income as £1,115 when he applied for loan 2, and expenditure again as £340. So his disposable income was now £775. I accept that there was a gap of around two months between repaying loan 1 and taking out loan 2. But the loan was also for a higher amount. The repayment amount was £502.40 – so over 45% of Mr B's income. Overall, I think it would've been proportionate for Quick Quid to ask about Mr B's regular expenses as well as about his other short term borrowing commitments before agreeing to lend.

Quick Quid says it did ask Mr B to include his other short term loans in his expenditure. So it says it did carry out proportionate checks. But I don't think I need to make a finding on this. I say this because Mr B didn't have any other short term loans outstanding when he applied for loan 2, so this doesn't make a difference to the outcome of the complaint. And based on the information Quick Quid had, it looked like Mr B had enough disposable income to repay this loan sustainably. So I don't think Quick Quid did anything wrong by giving Mr B this loan either.

Mr B took out loan 3 upon repaying loan 2. He again declared his income as £1,115 and expenditure as £340. The repayment on this loan was £431.20. This was over 38% of Mr B's income, and this was his third loan with Quick Quid within a relatively short space of time. So I think it would've been proportionate for Quick Quid to build a full picture of Mr B's financial situation before agreeing to lend again.

I've thought about everything Quick Quid has said about its affordability checks, and how it didn't have any reason to doubt the information Mr B was giving. But for the reasons I've outlined above, I think Quick Quid should've verified the information Mr B was giving before agreeing loan 3. That could've included asking for his payslips and/or bank statements, or other relevant evidence.

I've looked at Mr B's bank statements and credit file to see what I think Quick Quid would've likely discovered about his financial situation, had it carried out proportionate checks.

Mr B made significant gambling transactions in December 2015 and January 2016 – around £600 a month. So I think Quick Quid would've discovered that Mr B gambled more than 50% of his income in the months before applying for loan 3. I think it would've also seen that Mr B had borrowed from another short term lender – this loan was repaid upon taking out loan 3. And Mr B's credit file shows that he had three outstanding defaults at the time – one applied in 2014 and further two in 2015.

Taking everything into account, had Quick Quid carried out proportionate checks before agreeing loan 3, I think it would've been concerned about Mr B's ability to repay this loan sustainably. As a responsible lender, I don't think it would've given loan 3 to Mr B.

Quick Quid says that the repayment on loan 3 was a priority debt, and this payment took precedence over Mr B's gambling spending. But Quick Quid needed to make sure Mr B could repay his loans sustainably *before* it entered into a credit agreement with him. So this point doesn't change my conclusions.

putting things right

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

- Refund any interest and charges Mr B paid for loan 3.
- Add 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 B's credit file in relation to loan 3.

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

my final decision

For the reasons I've explained, I uphold Mr B's complaint in part. CashEuroNet UK LLC should pay Mr B compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 January 2018.

Renja Anderson
ombudsman