Financial Ombudsman Service

complaint

Mr F says CashEuroNet UK LLC, trading as QuickQuid, lent to him irresponsibly.

background

Mr F had five loans with QuickQuid. I've set out some of the information QuickQuid provided about the loans in the table below.

Loan no.	Amount	Start date	End date	Payment schedule
1	£200	15/03/2017	19/04/2017	£46.40 on 13 Apr 2017 £51.20 on 15 May 2017 £249.60 on 15 Jun 2017
2	£300	02/06/2017	18/07/2017	£31.20 on 15 Jun 2017 £69.60 on 14 Jul 2017 £376.80 on 15 Aug 2017
3	£700	21/07/2017	30/08/2017	£140.00 on 15 Aug 2017 £173.60 on 15 Sep 2017 £856.80 on 13 Oct 2017
4	£1,100	04/11/2017	08/12/2017	£324.72 on 15 Dec 2017 £272.80 on 15 Jan 2018 £1,372.80 on 15 Feb 2018
5	£900	10/01/2018	*outstanding*	£259.20 on 15 Feb, 2018 £201.60 on 15 Mar, 2018 £1,108.80 on 13 Apr 2018

An adjudicator considered Mr F's complaint and recommended it be upheld in respect of loans 3-5. QuickQuid didn't agree with the adjudicator, so the complaint was passed to me to decide. As there's been no further dispute about loans 1-2, I'll only be considering loans 3-5 in my 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've taken into account the law, good industry practice and any relevant regulations at the time.

In its initial submissions to this Service, QuickQuid said:

"We started implementing changes to affordability assessment in June 2014 and all the changes were completed by Feb 28th 2015. Starting [1st March 2015] *before Mr* [F] *borrowed his first loan, QuickQuid had implemented an affordability review that is consistent with the* [Financial Conduct Authority] *FCA Handbook and that was in place at the time we received authorisation by the FCA. We confirm that this assessment was conducted properly and individually for each of these loans."*

QuickQuid later responded to the adjudicator's recommendations, saying:

"In response to [the Financial Ombudsman Service] *FOS' assessment which recommends CashEuroNet UK* [puts right] *loans which were funded after March 2015, we regret to inform you that we 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 [F]*. Therefore we kindly ask that you move this case for ombudsman queue for a final decision."*

This Service has responded to QuickQuid 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 QuickQuid at this point of the Financial Conduct Authority (FCA) 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 F's complaint and what both parties have said about this.

The FCA was the regulator at the time Mr F 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 QuickQuid 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.

I've considered the information QuickQuid provided about the checks it carried out before lending to Mr F. For each of loans 3-5 it recorded his net monthly income as £2,000. It also recorded information about his total monthly expenditure, which varied with each loan. Mr F's total monthly expenditure was recorded as follows: £1,152 for loan 3, £1,350 for loan 4 and £1,225 for loan 5. Included within the total figures were individual figures for costs such as monthly credit commitments and housing costs. QuickQuid also carried out credit checks but hasn't shown us the full results of these.

A simple deduction of Mr F's declared expenditure from his declared income would leave him with monthly disposable income of: £848 for loan 3, £650 for loan 4 and £775 for loan 5.

QuickQuid however made further adjustments beyond this simple deduction for two of the loans. It says it estimated Mr F's monthly disposable income was lower than he declared for loans 3 and 5: £578 for loan 3 and £439 for loan 5.

QuickQuid hasn't explained or otherwise provided information about how it calculated its estimate of Mr F's disposable income, or why it made adjustments in addition to what Mr F declared for loans 3 and 5 but not for loan 4. Without further information, I'm unable to say that QuickQuid's estimate of Mr F's disposable income reflects a proportionate check for loans 3-5.

In any event, I think QuickQuid's checks needed to go further than they did – for the following reasons. Loans 3-5 were all taken out in relatively quick succession and the amounts Mr F was borrowing were all significantly larger than his earlier loans. I've noted the two month gap between loans 3 and 4 but I think this isn't particularly significant, especially as Mr F increased the amount he borrowed for loan 4 by almost 60%. The largest repayment on each of his loans was between approximately 43% and 69% of his net monthly income – and each of these largest repayments exceeded Mr F's monthly declared disposable income (which as I've explained above, was usually a larger amount than QuickQuid estimated). The increasing size of the loans and the nature of the repeated borrowing suggest Mr F was struggling to settle his loans in a way which was sustainable. And taking into account the way the loans were originally scheduled to be repaid – the total period of Mr F's borrowing extends to about a year, so his need for credit doesn't seem to have been short-term.

Given the above, I think QuickQuid ought to have not only asked Mr F questions about his income and expenditure but also required him to provide some form of proof of these things – such as payslips and/or bank statements.

But even on the basis of the information QuickQuid had, I think it ought to have realised loans 3-5 were not likely to be sustainably affordable to Mr F. Based on Mr F's own monthly disposable income declarations (which QuickQuid revised down for loans 3 and 5) he had disposable income of only £848 for loan 3 – revised down to £578 by QuickQuid. Mr F's highest repayment for loan 3 was £857, which exceeds both Mr F's declaration and QuickQuid's estimate for his monthly disposable income. This means the highest repayment was only affordable if Mr F could 'save' income or otherwise have a surplus to make the August 2017 payment.

I don't think it was reasonable for QuickQuid to lend on the basis that Mr F was likely to be able to do this. I've noted that he repaid loans 1 and 2 early. But loan 3 commenced just three days after loan 2 was repaid – and was for more than double the amount of loan 2. Mr F repaid £784 to close loan 2 early – then immediately borrowed a similar amount. That Mr F borrowed an amount so similar to what he repaid, immediately after paying it, doesn't suggest he was in a position to save income from month-to-month.

And having considered Mr F's bank statements, I can see he repaid two short-term loans in August 2017, which totalled more than £1,000. So had QuickQuid carried out proportionate checks for loan 3, it would've likely confirmed that Mr F was borrowing from a number of other short-term lenders, repaying them large amounts and so was not likely to be in a position to save to make payments in excess of its estimate of his monthly disposable income. This would mean Mr F wouldn't have been able to make the largest payment when it fell due – something QuickQuid was required to assess (as per CONC 5.2.1R (2) which was in place at the time).

The situation is the same, if not worse given the size of the largest payments, for loan 4 and loan 5. Even when using the figures Mr F declared for monthly disposable income – £650 for loan 4 and £775 for loan 5 – the highest repayments of about £1,400 and £1,100 are significantly in excess of Mr F's disposable monthly income. Given Mr F's apparent need to access high-cost credit so frequently, I don't think it was reasonable for QuickQuid to think he would be able to save money.

And had QuickQuid gone further and carried out proportionate checks, it would've likely confirmed the above. Mr F's bank statements show he was borrowing from other high-cost creditors to meet his repayments and/or other living costs. At the time of loan 4 he was repaying other regular creditors over £1,000 a month and paying short-term creditors almost as much. Mr F's credit commitments were also very similar at the time of loan 5.

It doesn't make a difference to my findings, but it's worth noting proportionate checks would also have likely revealed Mr F was spending relatively large sums of money on gambling. Had QuickQuid seen that Mr F was regularly accessing high-cost credit because gambling was contributing to him being unable to settle his debts sustainably, I don't think it would (or should) have lent to him.

In summary, I think, based on the information QuickQuid had, it wasn't right for it to approve loans 3-5. And had it carried out proportionate checks, this would only likely have confirmed that Mr F wasn't in a position to be able to repay loans 3-5 in a way which was sustainable for him.

putting things right

QuickQuid must:

- refund the interest and charges Mr F paid on loans 3-4
- add to the above interest at 8% simple per year from when the interest and charges were paid until the date of settlement†
- remove any adverse information it recorded about loans 3-5 from Mr F's credit history

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

QuickQuid has said there is still an outstanding balance on loan 5. So QuickQuid must remove any interest and charges from loan 5 and treat any payments made as if they were payments towards the principal. If this leaves a balance for Mr F to pay, QuickQuid may offset what it owes Mr F for loans 3 and 4 against this balance. QuickQuid can only offset what it owes Mr F against the balance of loan 5 if it still owns the debt. If Mr F has already paid more than the principal amount, QuickQuid should refund any amount Mr F paid above £900, adding 8% simple interest as described above.

my final decision

I uphold Mr F's complaint. CashEuroNet UK LLC must put things right by taking the steps set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 1 April 2019.

Matthew Bradford
ombudsman