

complaint

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

background

Mr J was given five loans by QuickQuid between December 2014 and December 2015. And he topped up two of those loans by taking some additional borrowing shortly after the initial loan. Most of Mr J's loans were repayable in two or three monthly instalments. Although Mr J was occasionally late making his repayments, and so needed to pay some additional fees, all his loans have been fully repaid. A summary of Mr J's borrowing from QuickQuid is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	28/12/2014	24/02/2015	£ 400
2	08/03/2015	22/05/2015	£ 400
2a	11/03/2015		£ 150
3	19/06/2015	24/07/2015	£ 100
4	01/08/2015	26/11/2015	£ 500
4a	08/08/2015		£ 150
5	29/12/2015	24/03/2016	£ 550

Mr J's complaint has been assessed by one of our adjudicators. He thought that the checks QuickQuid had done before agreeing the first two loans had been sufficient. But he thought more checks should have been done from loan 2a onwards. And he thought that better checks would have shown QuickQuid that Mr J couldn't afford to repay loans 4a and 5. So he asked QuickQuid to pay Mr J some compensation.

QuickQuid didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr J accepts my decision it is legally binding on both parties.

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 the loans were offered.

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr J 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 J was borrowing, and his lending history, but there was no set list of checks QuickQuid had to do.

The Financial Conduct Authority was the regulator at the time Mr J borrowed from QuickQuid. Its regulations for lenders are set out in its consumer credit sourcebook (generally referred to as "CONC"). These regulations 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.” They define ‘sustainable’ as being able to make repayments without undue difficulty. And explain that this means borrowers should be able to make their repayments on time and out of their income and savings without having to borrow to meet these repayments.

So, the fact that the amounts borrowed and the interest paid might have been low in comparison with Mr J’s declared income, or that he managed to repay the loans in full and on time, doesn’t necessarily mean the loans were affordable for him and that he managed to repay them in *a sustainable manner*. In other words I can’t assume that because Mr J managed to repay his loans that he was able to do so out of his normal means without having to borrow further.

QuickQuid has told us about the checks it did before lending to Mr J. Before each loan it asked him for details of his income, and his normal monthly expenditure. And it checked Mr J’s credit file before agreeing each of the loans. Although I’ve not seen the results of those credit checks I’m not aware of anything on Mr J’s credit file that I think should have caused additional concerns to QuickQuid.

The monthly income that Mr J declared to QuickQuid was substantial. And the expenditure he declared suggested that he had a large amount of disposable income each month that he could use to repay his borrowing. So although the amounts Mr J needed to repay on his first two loans were relatively high, I think it was reasonable for QuickQuid to conclude the loans were affordable based on the information Mr J had provided.

Mr J asked to top up his second loan just three days after taking it out. And that meant the highest repayment he needed to make rose considerably. By this time I think QuickQuid should have been concerned about whether Mr J was reliant on short term lending to get by each month. So in addition to the information it gathered about his normal income and expenditure I think QuickQuid should have asked Mr J some very specific questions about any other short term lending he was already committed to repaying.

And I think the same sorts of checks would have been appropriate before the third and fourth loans were agreed. Although the third loan was much smaller than those before, it was now Mr J’s third borrowing request in less than six months. And then the fourth loan was much larger again, with the largest repayment Mr J needed to make being over £600.

When Mr J asked to top up his fourth loan his highest repayment rose to over £800. I think by this stage QuickQuid should have realised that it was unlikely that Mr J’s finances were as healthy as he’d been declaring during the seven months. I think from here onwards it would have been proportionate for QuickQuid to have independently verified the true state of Mr J’s finances before agreeing to lend to him further.

But although I don’t think the checks QuickQuid did from loan 2a onwards were sufficient, that in itself doesn’t mean that Mr J’s complaint should succeed. I’d also need to be persuaded that what I consider to be proportionate checks would have shown QuickQuid that Mr J couldn’t sustainably afford the loans. So I’ve looked at some of Mr J’s bank statements to see what better checks would have shown QuickQuid.

I don't have a full picture of Mr J's finances throughout the time he was borrowing from QuickQuid. Despite our requests he hasn't answered our questions about his financial situation. And he has only given us bank statements covering part of the time that he was borrowing from QuickQuid. But I have been able to get some idea from those statements of Mr J's financial position.

As I said earlier, the disposable income that he declared to QuickQuid was substantial. And, until loan 4a, I think it was reasonable for QuickQuid to use that as the basis of its assessment of the affordability of the loans. But from loan 2a onwards I think it needed to supplement that information with details of any other short term loans that Mr J was already committed to repaying. I only have part of that information. But from what I can see I think it's unlikely that these sorts of checks would have suggested to QuickQuid that Mr J wasn't able to repay those loans.

From loan 4a onwards I think QuickQuid should have been independently checking the information Mr J had provided about his finances. Again I don't have all the information I would like when making this assessment. But from what I do have I can see that Mr J's income was significantly less than he'd declared to QuickQuid. And I can see that during the time he was borrowing from QuickQuid he was gambling a significant amount of that income each month.

If QuickQuid had done what I consider to be proportionate checks before agreeing loan 4a and loan 5 I think it would have seen that Mr J was using the loans to top up his income and support what appears to be a significant level of gambling expenditure. From that I think QuickQuid would have concluded that Mr J couldn't afford to repay these loans in a sustainable manner. And so, as a responsible lender, QuickQuid would have declined Mr J's requests for these loans. So QuickQuid needs to pay Mr J some compensation.

putting things right

I don't think QuickQuid should have agreed to lend to Mr J after, and including, the top up loan that he took on 8 August 2015 (loan 4a). So for each of those loans QuickQuid should;

- Refund any interest and charges applied to the loans.
- 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 J's credit file in relation to the loans.

*HM Revenue & Customs requires QuickQuid to take off tax from this interest. QuickQuid must give Mr J 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 part of Mr J's complaint and direct CashEuroNet UK LLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 September 2018.

Paul Reilly
ombudsman