

complaint

Mr S complains CashEuroNet UK LLC (trading as QuickQuid) lent to him irresponsibly.

background

The background to this complaint and my initial findings on it can be found in the provisional decision which is attached to and forms a part of this final decision. I've made a minor amendment to the text of the provisional decision to correct a clerical error.

However, in short:

- Mr S took out seven loans with QuickQuid. These consisted of six payday loans and a "flex credit" loan, which was a revolving credit agreement. Mr S complained QuickQuid shouldn't have granted these loans as he couldn't afford them.
- I concluded QuickQuid hadn't carried out proportionate checks into Mr S's ability to repay his loans in a sustainable way.
- I concluded that had QuickQuid carried out such proportionate checks it would've considered the second loan (from the first time it was "topped up") and the third to sixth loans were unaffordable. It therefore wouldn't have lent these amounts to Mr S.
- I thought that QuickQuid should've stepped in and frozen interest and charges on the seventh loan when it became apparent Mr S was in financial difficulty. I concluded this was when he'd missed two repayments in a row without making any other payments to the account in the meantime.
- I set out what I thought was appropriate redress, which involved refunding the interest and charges on the second loan (from when it was first topped up), the third to sixth loans, and from the point at which Mr S missed a second consecutive repayment on the seventh loan. It also included amending Mr S's credit file.

Mr S got in touch via his representatives to say he accepted my provisional decision. QuickQuid didn't respond by the deadline I set.

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 along with any relevant regulatory guidance and good industry practice at the time.

Neither party to the complaint has added any new arguments, information or evidence for me to consider. Because of this I see no reason to depart from the findings I made in my attached provisional decision. It follows that I think Mr S's complaint should be upheld in part.

putting things right

Because QuickQuid shouldn't have lent Mr S the second loan (from the first top-up onwards), or the third to sixth, it isn't fair that he should have to pay interest or charges on them, or have negative information recorded about them on his credit file. It's also not right that he should be charged interest and charges after the point QuickQuid should've intervened in the seventh loan. So I intend to direct QuickQuid to take the following actions:

1. Calculate the amount in interest and charges Mr S paid on loan two relating to the first and second top ups, and calculate the amount of interest and charges Mr S paid on the third to sixth loans (including all top ups). To each amount Mr S paid, QuickQuid must add 8% simple interest a year*, from the date Mr S paid the amount, to the date of settlement. QuickQuid must pay the resulting total to Mr S.
2. Remove any adverse data recorded in relation to loans two to six from Mr S's credit file.
3. Calculate the amount in interest and charges added to Mr S's seventh loan after 31 January 2014. To each of these amounts QuickQuid must add 8% simple interest a year* from the date they were paid by Mr S to the date of settlement. QuickQuid must pay the resulting total to Mr S.

If QuickQuid has reported adverse information in relation to this account then it must update this to show Mr S was on a repayment plan until the account was paid off.

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

my final decision

I uphold Mr S's complaint in part, for the reasons summarised above and explained in more detail in the attached provisional decision. CashEuroNet UK LLC must take the actions outlined in the "putting things right" section of this decision. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 October 2017.

Will Culley
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr S complains CashEuroNet UK LLC (trading as QuickQuid) lent to him irresponsibly.

background

Mr S took out seven loans with QuickQuid between January 2012 and June 2013. Mr S requested additional borrowing ("top ups") on the second, third and fourth loans. His seventh loan was an open-ended credit agreement where he could borrow up to a set credit limit of £1,200. I've included some of the information we've received about these loans in a table at the end of my decision. Where Mr S was granted additional borrowing on an existing loan, this is denoted by a letter, and his drawdowns against the seventh agreement are prefixed with "Flex".

The repayments on the seventh agreement were calculated according to a formula, where the minimum expected repayment was 10% of the total capital balance, plus interest and charges which had accrued over the past month.

Around the beginning of 2014 Mr S began to have problems repaying his last agreement and he fell behind on his payments. He made intermittent repayments to the account until he paid it off in full early in 2015. An email Mr S sent suggests he made full repayment on 19 January 2015, but it seems QuickQuid didn't register the repayment until 2 February 2015.

Mr S complained to QuickQuid in June 2016. He said insufficient checks had been made into his ability to repay the loans, and that he'd been dependent on short term credit. He said QuickQuid had contributed to him falling into a spiral of debt and it shouldn't have lent to him.

QuickQuid disagreed. In a final response in August 2016 it explained it had checked Mr S's credit report, asked Mr S to tell it his monthly income, and also used its own internal credit model to generate a score. It said Mr S's scores had passed the minimum each time he'd asked to borrow money, so it had agreed to lend to him. Overall it felt it had carried out enough checks into Mr S's ability to repay. It also suggested the evidence didn't show Mr S was dependent on loans, and it didn't agree it had lent irresponsibly. Even so, it offered to provide Mr S with £150 compensation. Dissatisfied with this offer, Mr S asked us to look into the matter.

One of our adjudicators investigated the complaint. He concluded that QuickQuid hadn't carried out sufficient checks before lending loans two to seven. However, he said he hadn't been given enough of an explanation of some of Mr S's outgoings for him to be able to determine whether or not these loans had been unaffordable. When looking at the seventh agreement, the adjudicator thought QuickQuid hadn't monitored the account effectively after it had been opened and that it should refund interest and charges Mr S had paid from 29 January 2014 onwards.

QuickQuid disagreed with our adjudicator. It argued that Mr S's repayment history had been sound for the first six loans, and noted that once Mr S began to incur late fees it stopped lending money to him. It added that once Mr S had let it know he was getting help with his debts it had halted interest and charges on his account.

As no agreement could be reached, the case has been passed to me to decide.

my provisional 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 along with any relevant regulatory guidance and good industry practice at the time.

Having considered all the evidence carefully I've come to different conclusions to our adjudicator. I agree with the view our adjudicator came to about the seventh agreement. But I don't think QuickQuid should have topped up Mr S's second loan or agreed any of the third to sixth loans. I'll explain why I've come to these conclusions below.

QuickQuid had to assess Mr S's applications for borrowing to check if he could afford to pay back his loans without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. It then needed to assess whether – based on the information it had gathered from its proportionate checks – Mr S could afford to meet his loan repayments sustainably. According to guidance from the industry regulator at the relevant time, repayments are sustainable if they are made out of income or savings – so not if they are made, for example, from further borrowing.

did QuickQuid carry out proportionate checks?

QuickQuid's told us it asked Mr S to tell it his monthly income when he applied for his first loan, and asked him to update this figure if it had changed when he applied for subsequent loans. Throughout the period in which QuickQuid lent to Mr S, he said his income was £1,900 per month.

QuickQuid's also said it carried out checks with a credit reference agency. Based on the information it's given us, it appears to have carried out these checks when Mr S applied for the first and fourth loans, and when Mr S applied to top up his third loan. QuickQuid carried out the same kind of checks on a number of other occasions, but these don't seem to be associated with any of the loans Mr S has complained about.

I think for the first loan QuickQuid's checks were proportionate. The largest repayment Mr S would have to make represented a very small percentage of his reported income, so I don't think there was any need for QuickQuid to make further enquiries here.

The second loan was taken out less than three weeks after the first, and was for four times the capital amount. The largest expected repayment of £500 represented over a quarter of Mr S's reported monthly income. QuickQuid ought to have known Mr S would have some regular expenditure because he'd told it when he applied for his loans that he was renting. In light of all these factors I think QuickQuid should've asked for some information about Mr S's expenditure at this stage.

Mr S's two requests for top-ups to this loan took his expected repayments to £750 and £1,000 respectively, and it's worth mentioning that by topping up this loan Mr S was also essentially deferring repayment of the original capital amount. That's to say he was not paying back the second loan as he'd originally agreed – which can be an indicator of financial difficulty.

So I think some extra scrutiny would've been proportionate when Mr S made his top-up requests. When he made his first request I think QuickQuid should have checked if Mr S had any other short term credit commitments he needed to meet, and when he made the second request it should have built up a full picture of Mr S's financial situation to see if he could really afford to repay the loan sustainably.

I think QuickQuid should have continued to make detailed enquiries into Mr S's finances after this point when he applied for borrowing. There were occasional gaps in his borrowing history but I don't think these were long enough for QuickQuid to assume Mr S's financial situation had improved.

For the open-ended seventh agreement, QuickQuid should've checked firstly if Mr S would be able to meet the expected repayments sustainably had he drawn down the maximum amount of £1,200 permitted under the agreement, in the same way it should've checked for the previous loans. But it should also have continued to monitor the way Mr S was using the account and step in if there was evidence of financial difficulty.

Overall I find QuickQuid's affordability checks relating to all but the first loan were not proportionate. I've gone on to think about what QuickQuid would've discovered, had it carried out proportionate checks.

what would proportionate checks have shown for the second loan?

At the time Mr S took out the second loan he had a number of regular financial commitments. These included other credit facilities, payments to a debt collection company, a mobile phone bill and housekeeping payments to a relative.

Mr S's regular financial commitments came to around £1,000 per month. Taking into account his reported income of £1,900 per month, I don't think a responsible lender would've considered he'd have difficulty making the maximum repayment of £500.

what would proportionate checks have shown for the top-ups on the second loan?

Based on his reported income and his regular commitments, Mr S's first top-up would appear affordable to a responsible lender. Little had changed in this regard from when Mr S initially took out the loan.

However, if QuickQuid had taken into account short term debt commitments Mr S had to pay imminently – as I think it should have – it would've seen a different picture emerging of Mr S's finances. At the time he applied for the first top-up Mr S had over £650 in short-term debt outstanding with another lender. Once Mr S had paid this he'd not have enough available income left over with which to pay QuickQuid. He'd need to resort to further borrowing to do so. So I don't think it was responsible of QuickQuid to top up Mr S's second loan.

I've considered the second top-up separately. As I've said above, I think a more detailed assessment of Mr S's financial situation would've been proportionate by this point. This would've revealed that Mr S earned a little more than he'd reported – normally around £2,200 per month, and he'd recently received more pay than he usually did. But even when these things are taken into account, he wouldn't have been able to afford the expected repayment of £1,000 after the second top-up. Like the first top-up, this is because he had a significant amount of short-term debt to pay - £720 on this occasion.

what would proportionate checks have shown for the third loan?

Mr S's financial position deteriorated in the lead-up to him applying for the third loan. He was paid a little less than usual in June 2012, and he borrowed almost £2,000 from other short-term lenders that month. A detailed assessment of his financial situation would've shown Mr S was clearly unable to afford both his expected repayment to QuickQuid and his other commitments. Mr S topped up this loan twice. As the base loan was unaffordable it follows that I find the top-ups were also unaffordable.

what would proportionate checks have shown for the fourth loan?

Mr S was able to pay off the third loan after receiving some significant financial support from individuals, including a £5,000 payment which he used to pay off other debts as well. This had the effect of breaking Mr S's dependency on short term loans for several months, but by November 2012 he had begun borrowing again from other short-term lenders, and by the time he applied for the fourth loan he had about £900 outstanding in short-term loans. When this is viewed alongside his regular income and expenditure, it's apparent Mr S would be unable to afford to repay the fourth QuickQuid loan in a sustainable way. I think this is something QuickQuid should have recognised, so I don't think it was reasonable of it to lend the fourth loan or any of its top-ups to him.

what would proportionate checks have shown for the fifth and sixth loans?

Mr S made cash deposits totalling around £3,300 in March 2013. He's said that these were "winnings", so I don't think they can be considered a stable source of income. His pay had increased slightly, to around £2,300 per month by the time he applied for the fifth loan. But Mr S still had some short-term debts – around £700 at the time of the fifth loan and £1,000 at the time of the sixth – and due to these Mr S wouldn't have been able to repay his QuickQuid loans in a sustainable way. So I think it was wrong of QuickQuid to agree to lend these amounts to Mr S.

what would proportionate checks have shown when Mr S applied for the seventh agreement?

Had Mr S drawn down the maximum amount allowed for his seventh loan, the largest amount he'd have had to pay in a single month would've been £411.72. So QuickQuid needed to check if he'd be able to afford a repayment of this size.

At the time he applied for the seventh loan, Mr S had recently consolidated some of his debts by borrowing £10,000 from his bank. These funds had been used to pay off the majority of his short term debts (around £3,200), a credit card (around £2,200) and a guarantor loan (around £4,350). Mr S's salary also appeared to have increased to around £2,500 per month. Due to the restructuring of his debts, Mr S's financial situation was improved, and I don't think QuickQuid would've considered the seventh agreement unaffordable from the beginning.

what would monitoring of the seventh credit agreement have revealed?

In documents it sent to Mr S, QuickQuid described the seventh agreement in the following terms:

"...this type of lending is a very expensive form of credit, and is not suitable for long term or regular borrowing but for short-medium term borrowing needs. You are encouraged to repay your loan as quickly as possible..."

So this is something QuickQuid should have thought about when monitoring the way the account was being operated. Mr S steadily increased his borrowing against the agreement until he reached the credit limit on 27 August 2013. A pattern then emerged where he would pay the minimum repayment (which included 10% of the outstanding capital) and then almost immediately borrow back up to the credit limit. Although this pattern could be an early indicator of financial difficulties I don't think it was long-term enough for it to have been reasonable for QuickQuid to step in.

When Mr S missed a repayment around 1 January 2014 QuickQuid immediately halted further borrowing on the account and emailed Mr S to tell him he'd missed a payment. I think it was right to prevent further borrowing, but I note QuickQuid continued to apply interest and charges (totalling about £575) until Mr S had missed three repayments in a row.

QuickQuid had a duty to treat Mr S in a positive and sympathetic way if he was in financial difficulties, but I'd also expect Mr S to have tried to engage with QuickQuid over the arrears on the account. Mr S says he spoke to QuickQuid several times about the account and was told he had to repay it in full, but he can't remember exactly when this was because it was a few years ago.

In any case, regardless of whether Mr S spoke to QuickQuid after his first missed repayment or later, I think QuickQuid should have been sensitive to signs of financial difficulty and acted more quickly than it did to freeze charges and interest. I say this because the agreement was a very high cost form of credit, where payment problems could quite quickly result in the overall debt reaching unmanageable levels. QuickQuid also had a responsibility to monitor the use of the account and step in if there was a sign of Mr S experiencing financial difficulty.

So I think once Mr S had missed a second repayment in a row, and had made no other payments towards the account in the meantime, it would've been reasonable of QuickQuid to freeze interest and charges on the account. It should also have tried to be more proactive in making contact with Mr S to arrange a repayment plan.

Based on what I've seen of Mr S's financial situation around the time he began to miss repayments, I think he'd have struggled to bring the account up to date quickly regardless of QuickQuid's actions. But I think if QuickQuid had acted sooner Mr S would've gone on a repayment plan. It's not clear if QuickQuid has reported this loan to Mr S's credit file. But if it has – and it's reported negative information – then the credit file should be updated to reflect that Mr S would've most likely been on a repayment plan.

summary of findings

QuickQuid failed to carry out proportionate checks into Mr S's ability to pay back his second to seventh loans. Had it carried out such checks it would've concluded Mr S couldn't afford to repay sustainably the second loan from the point it was first topped-up, and the third to sixth loans before any top-ups were added to them.

QuickQuid should also have acted sooner when Mr S showed signs of being in financial difficulty during the time he had the seventh loan, and frozen interest and charges when he missed two repayments in a row.

putting things right

Because QuickQuid shouldn't have lent Mr S the second loan (from the first top-up onwards), or the third to sixth, it isn't fair that he should have to pay interest or charges on them, or have negative information recorded about them on his credit file. It's also not right that he should be charged interest and charges after the point QuickQuid should've intervened in the seventh loan. So I intend to direct QuickQuid to take the following actions:

4. Calculate the amount in interest and charges Mr S paid on loan two relating to the first and second top ups, and calculate the amount of interest and charges Mr S paid on the third to sixth loans (including all top ups). To each amount Mr S paid, QuickQuid must add 8% simple interest a year*, from the date Mr S paid the amount, to the date of settlement. QuickQuid must pay the resulting total to Mr S.
5. Remove any adverse data recorded in relation to loans two to six from Mr S's credit file.
6. Calculate the amount in interest and charges added to Mr S's seventh loan after 31 January 2014. To each of these amounts QuickQuid must add 8% simple interest a year* from the date they were paid by Mr S to the date of settlement. QuickQuid must pay the resulting total to Mr S.

If QuickQuid has reported adverse information in relation to this account then it must update this to show Mr S was on a repayment plan until the account was paid off.

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

my provisional decision

For the reasons explained above, I intend to uphold Mr S's complaint in part and direct CashEuroNet UK LLC (trading as QuickQuid) to carry out the actions set out in the "putting things right" section.

Will Culley
ombudsman

Loan #	Date	Date paid	Advance	Interest	Highest Repayment
1	16/01/2012	31/01/2012	£100.00	£18.75	£118.75
2A	19/02/2012	29/06/2012	£400.00	£200.00	£500.00
2B	18/03/2012	Top Up	£200.00	£50.00	£750.00
2C	13/05/2012	Top Up	£200.00	£50.00	£1,000.00
3A	30/06/2012	29/08/2012	£300.00	£75.00	£375.00
3B	15/07/2012	Top Up	£275.00	£68.75	£718.75
3C	19/07/2012	Top Up	£300.00	£75.00	£1,093.75
4A	02/01/2013	28/03/2013	£500.00	£125.00	£625.00
4B	09/01/2013	Top Up	£200.00	£50.00	£875.00
5	20/04/2013	30/04/2013	£500.00	£125.00	£625.00
6	15/05/2013	22/05/2013	£500.00	£125.00	£625.00
FlexA	17/06/2013	Rolling	£550.00	Rolling	N/A
FlexB	06/08/2013	Rolling	£750.00	Rolling	N/A
FlexC	27/08/2013	Rolling	£175.00	Rolling	N/A
FlexD	09/09/2013	Rolling	£150.00	Rolling	N/A
FlexE	30/09/2013	Rolling	£120.00	Rolling	N/A
FlexF	01/11/2013	Rolling	£120.00	Rolling	N/A
FlexG	30/11/2013	02/02/2015	£171.60	Rolling	N/A