

complaint

Mr V has complained CashEuroNet UK LLC (trading as QuickQuid) lent him money when it shouldn't have.

background

QuickQuid agreed 26 short-term loans for Mr V between August 2011 and June 2016. These loans were frequently increased ("topped up") during their terms, meaning that QuickQuid agreed to lend to Mr V a total of 50 times between these dates. The total amount lent came to £16,525, not including interest. I've included a table at the end of my decision which summarises some of the information QuickQuid's provided about these loans.

Mr V says the loans spiralled out of control and QuickQuid didn't check if he could afford them. He says that if QuickQuid had checked his circumstances more closely, for example by looking at his bank statements, it would've have seen the loans weren't affordable. Mr V's added that he had a gambling problem at the time, and he was borrowing from anywhere he could to fund this.

One of our adjudicators looked into Mr V's complaint. She took the view that – apart from the first loan – QuickQuid should refund all interest and charges Mr V had paid. QuickQuid didn't agree, so the case 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. I've taken into account the law, any relevant regulatory rules and good industry practice at the time.

QuickQuid needed to assess Mr V'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. The checks should take account of things such as the amount Mr V was borrowing, and his lending history, but there was no set list of checks QuickQuid had to do. I've borne this in mind when looking at Mr V's case.

I've also considered whether – where QuickQuid failed to carry out adequate checks – it would have been apparent that it should not have lent to Mr V if it had made reasonable enquiries into his ability to repay.

Having reviewed the case, I agree with the outcome reached by our adjudicator, for reasons I'll now explain.

Mr V's borrowing from QuickQuid can be separated out into four general periods – August 2011 to March 2012; September 2012 to August 2014; March 2015 to April 2015, and November 2015 to August 2016.

did QuickQuid carry out proportionate checks during the first period (loans 1-4)?

QuickQuid says it carried out some checks with a credit reference agency when Mr V applied for borrowing, including for his first loan. It also checked his income from the beginning.

Mr V's first loan was for £200, with a total amount repayable of £259. Mr V told QuickQuid his income was £1,200, which appears to be accurate. It's also apparent from Mr V's bank statements that he was already paying back at least one other short term lender at the time. I don't know if this would've shown up on the credit check QuickQuid carried out as we don't have the full details of this check. But in any event, I think given Mr V's relatively low reported income and the likelihood he'd have had other financial commitments, QuickQuid should've made some basic enquiries into his monthly expenditure.

Mr V's second loan was for £600 and he was expected to repay £777. This was a significant increase in Mr V's borrowing (the repayment represented about 65% of his income) and came only a few days after he'd finished paying off the first loan. I'd have expected QuickQuid to carry out further checks at this point and gather a detailed understanding of Mr V's financial situation.

I think that as early as the second loan there were features of Mr V's borrowing which should've alerted QuickQuid to the possibility that he was borrowing not to ease a temporary cash flow problem – but to support his everyday spending. The large increase in the lending, and the short space of time between loans, were two such features. In my view, QuickQuid did not carry out proportionate checks at this point.

There was a break of a couple of months between Mr V repaying his second loan and taking out his third, for which he was expected to repay £388. Based on the information it's given me, it appears QuickQuid carried out a security check but undertook no additional affordability assessment.

Mr V then took out a fourth loan, two weeks after he'd repaid the third. This was initially for £400 but he topped it up a week later with a further £200.

In light of Mr V's repeated applications for short-term loans representing a high proportion of his reported income, I really think QuickQuid should've been making some more detailed enquiries by this point into Mr V's ability to repay the loans sustainably. I think proportionate checks would have involved enquiries which were detailed enough to detect other short-term lending commitments Mr V had, and any unusual financial circumstances which could be driving his borrowing behaviour.

QuickQuid has said it didn't look into Mr V's expenditure until his 13th loan, and it says this was because it didn't have to. It's explained the Office of Fair Trading ("OFT") – which was responsible for providing guidance to the industry at the time – didn't require lenders to get this kind of information. QuickQuid has also pointed out that Mr V had a very good repayment history, often paying back his loans early, and that it considered this to be a positive indicator of affordability.

It's correct that there's nothing in the OFT's relevant guidance which says a lender must look into a borrower's expenditure. Instead, it says a lender should assess whether a borrower can meet a specific credit commitment *"in a sustainable manner, without the borrower incurring (further) financial difficulties"*, and that *"in a sustainable manner"* means being able to repay the credit *"out of income or available savings."*

The relevant guidance goes on to address payday loans (like Mr V's) specifically. It describes them as having a specific purpose – as *“a short-term solution to temporary cash flow problems”*, and says that they are *“not appropriate for supporting sustained borrowing over longer periods.”* The guidance, when describing the attitude lenders should take to assessing affordability, said lenders should *“take a view on what is appropriate in any particular circumstance dependent on, for example, the type and amount of the credit being sought and the potential risks to the borrower.”*

I think it's worth mentioning here that what QuickQuid says about early repayment being a positive indicator of affordability is not necessarily correct. In fact, a persistent pattern of early repayment can be a sign that a person is having financial problems. Ordinarily, a lender would expect a payday loan to be paid off when the borrower receives their pay. QuickQuid was aware of when Mr V was paid because it had asked him about this. So the fact Mr V often paid off his loans before he was paid (and sometimes just a few days after he'd taken out the loans) should have been considered unusual behaviour. As it turned out, the reason why Mr V was often in a position to pay off his loans early was because he was gambling and borrowing from other lenders. It wasn't because he had available income or savings.

what would proportionate checks have shown for loans 1-4?

I don't think proportionate checks for the first loan would've given QuickQuid cause to think Mr V would struggle to repay it sustainably. It would've appeared from basic enquiries into his income and regular commitments that he could afford the repayments. So I don't think QuickQuid was wrong to lend here.

However, for the second to fourth loans I think had QuickQuid made proportionate checks at these points it would have been apparent that Mr V would have difficulty repaying the money as his disposable income (after regular expenses such as his rent) was insufficient to make the expected repayments after taking into account the amounts he needed to repay to other payday lenders and his spending on gambling transactions.

did QuickQuid carry out proportionate checks during the second period (loans 5-13)?

Mr V's fifth loan was for £750, with a highest instalment of £971.25 (81% of his reported income). It doesn't appear that QuickQuid carried out any checks at this point other than asking for Mr V's income and carrying out a credit search. Given the amount it was agreeing to lend and what it last knew about Mr V, I don't think its checks were proportionate.

For loans 6-13 QuickQuid occasionally carried out credit searches and it updated Mr V's income to £1,600 per month between loans 10 and 11, and to £1,742 per month at loan 13.

I don't think QuickQuid's checks were proportionate for loans 6 through to 13. With the exception of loan 8, which was for £350, all of these loans (including top-ups) were for amounts between £600 and £950. Mr V was also charged a late payment fee on loan 11 and he rolled some of his loans over multiple times. There were clear signs from Mr V's borrowing pattern that he was reliant on the loans to meet his everyday spending, and this should've alerted QuickQuid to the need to carry out more robust checks.

what would further checks have shown for loans 5-13?

I think proportionate checks by this point should have sought to understand the reasons behind Mr V's repeated applications for large loans.

I can see from Mr V's bank statements that the reason why he was able to pay off his loans with QuickQuid was because he was borrowing extensively elsewhere. And it appears that most of the money going through his account was – as with loans 1-4 – related to gambling. He didn't have enough disposable income to make his expected repayments.

did QuickQuid carry out proportionate checks during the third period (loan 14)?

Loan 14 was for £950, with the largest instalment payable being £1,162.80. Mr V took it out about six months after paying off loan 13. QuickQuid asked for Mr V's total monthly expenditure at this point, which he said was £375 per month. It also carried out a credit search and relied on what Mr V had told it previously about his income.

Bearing in mind Mr V's previous lending history with QuickQuid and the large amount of the loan he'd asked for, I don't think QuickQuid's checks were proportionate here. I think – as with loans 5-13, it should have been taking a more detailed look at Mr V's financial situation.

what would further checks have shown for loan 14?

Had QuickQuid made enquiries into Mr V's other short term lending commitments at this point, it would have seen that Mr V was borrowing from a large number of other lenders. In the month before he applied for loan 14, evidence of loans from eight other short term and guarantor lenders appeared on Mr V's bank statement. Additionally, the majority of transactions on Mr V's account remained related to gambling. Overall I think further checks would've made it clear that Mr V was borrowing from QuickQuid to service other lending commitments and his gambling transactions, and that he couldn't afford to repay without borrowing further.

did QuickQuid carry out proportionate checks during the fourth period (loans 15-26)?

Mr V's 15th and 16th loans were for £100. His subsequent pattern of borrowing was one of frequent top-ups often one or two days apart. Over loans 17 to 26 Mr V borrowed £7,150 in a period of about six months.

QuickQuid's affordability checks during this period consisted primarily of credit searches. It relied on what Mr V had told it about his income in 2014 and it asked him about his monthly living expenses on 25 May 2016 (by which time Mr V had borrowed over £5,000 during this period of lending). It asked about his expenses again in June 2016.

Given the small amounts of loans 15 and 16 ordinarily it may not have been unreasonable – after a break in Mr V's borrowing – for QuickQuid to carry out the limited checks that it did. But I think these loans need to be looked at in the context of Mr V's ongoing relationship with QuickQuid. Had it carried out proportionate checks on the previous loans, QuickQuid would've detected Mr V's various other short term borrowings and the fact he was borrowing in order to gamble. In light of this history, and the relatively short break of seven months between repaying loan 14 and applying for loan 15, I think QuickQuid should've satisfied itself that Mr V's financial situation had improved before agreeing to continue lending.

Mr V's 17th loan was for £500 and he applied for it the same day he paid off the 16th loan. I think this shows QuickQuid to should have continued to think it needed to carry out a detailed assessment of affordability. However it appears it failed to carry out anything other than credit searches and using the information it had about Mr V's income until loan 24, when it asked Mr V to tell it his monthly expenditure. I don't think this went far enough.

what would proportionate checks have found for loans 16-26?

Throughout this period of lending Mr V's bank statements show much the same pattern as for his previous loans – large amounts of borrowing from other lenders and gambling transactions. It should have been clear from proportionate checks that Mr V couldn't afford to make repayments sustainably.

overall conclusions

For all the loans it made to Mr V, QuickQuid failed to carry out an assessment of affordability that was proportionate to the circumstances. Had QuickQuid carried out proportionate checks on all loans (except for the first loan) it would've been apparent that Mr V was borrowing from other lenders and individuals to pay back his loans, and that he had a gambling problem. I don't think a reasonable or responsible lender would have continued to lend had it been aware of these things.

It follows that I uphold Mr V's complaint in part.

putting things right

QuickQuid should do the following to settle Mr V's complaint:

- Refund all charges and contractual interest relating to loans 2 to 26.
- Add simple interest at the rate of 8% per year to the refunded charges and contractual interest, from the dates Mr V originally paid them, to the date the refunds are made. HM Revenue & Customs requires QuickQuid to take off tax from this interest. It must give Mr V a certificate showing how much tax it has taken off, if he asks for one.
- Remove any adverse information relating to loans 2 to 26 from Mr V's credit file.

my final decision

For the reasons I've explained above, I uphold Mr V's complaint in part and direct CashEuroNet UK LLC (trading as QuickQuid) to take the actions listed in the "putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 6 July 2017.

Will Culley
ombudsman

Loan Number	Date agreed	Date paid	Amount
1	08/08/2011	18/08/2011	£200.00
2	23/08/2011	08/09/2011	£600.00
3	26/11/2011	08/01/2012	£300.00
4	21/01/2012	31/03/2012	£400.00
4	27/01/2012	Top Up	£200.00
5	27/09/2012	07/11/2012	£750.00
6	16/11/2012	01/02/2013	£750.00
7	06/02/2013	02/05/2013	£750.00
8	05/05/2013	06/05/2013	£350.00
9	06/05/2013	08/05/2013	£600.00
10	11/05/2013	30/08/2013	£250.00
10	12/05/2013	Top Up	£125.00
10	13/05/2013	Top Up	£175.00
10	14/05/2013	Top Up	£200.00
11	01/09/2013	27/01/2014	£100.00
11	04/09/2013	Top Up	£100.00
11	09/09/2013	Top Up	£100.00
11	10/09/2013	Top Up	£100.00
11	13/09/2013	Top Up	£150.00
11	14/09/2013	Top Up	£375.00
12	30/01/2014	15/05/2014	£350.00
12	01/02/2014	Top Up	£100.00
12	05/02/2014	Top Up	£75.00
12	08/02/2014	Top Up	£225.00
12	15/02/2014	Top Up	£200.00
13	15/05/2014	16/08/2014	£700.00
14	01/03/2015	30/04/2015	£950.00
15	17/11/2015	21/11/2015	£100.00
16	18/12/2015	18/12/2015	£100.00
17	18/12/2015	22/12/2015	£500.00
17	19/12/2015	Top Up	£250.00
18	06/01/2016	13/01/2016	£350.00
18	07/01/2016	Top Up	£350.00
18	08/01/2016	Top Up	£200.00
18	09/01/2016	Top Up	£250.00
19	14/01/2016	22/01/2016	£150.00
19	15/01/2016	Top Up	£325.00
19	16/01/2016	Top Up	£500.00
19	17/01/2016	Top Up	£175.00
20	06/02/2016	19/03/2016	£500.00

20	07/02/2016	Top Up	£500.00
21	31/03/2016	14/04/2016	£300.00
22	03/05/2016	05/05/2016	£150.00
22	04/05/2016	Top Up	£200.00
23	08/05/2016	10/05/2016	£350.00
24	25/05/2016	02/06/2016	£500.00
24	01/06/2016	Top Up	£400.00
25	21/06/2016	25/06/2016	£500.00
25	22/06/2016	Top Up	£100.00
26	25/06/2016	13/08/2016	£600.00