

## **complaint**

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

## **background**

I issued my provisional decision in July 2017, a copy of which is attached and forms part of this final decision. In my provisional decision I explained why I was intending to uphold Mr H's complaint. I asked everyone to send me any further comments and information before I reached a final decision.

Both Mr H and Quick Quid said that they'd received my provisional decision. And neither had anything to add after they'd seen it.

## **my findings**

I've reconsidered 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.

As neither party gave me anything else they wanted me to think about, I've reached the same conclusions I reached in my provisional decision, for the same reasons.

So, in summary, I've only looked at loans 5 to 10 – for the reasons set out in my provisional decision. And I think none of the affordability checks Quick Quid carried out before lending to Mr H were proportionate. And had it done proportionate checks, I think it would've discovered that none of the loans (loans 5 to 10) were affordable for Mr H. So Quick Quid needs to pay him compensation.

## **putting things right**

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

- Refund any interest and charges applied to loans 5 to 10.
- 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 H's credit file in relation to loans 5 to 10.

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

**my final decision**

For the reasons I've explained above and in my provisional decision, I uphold Mr H's complaint. CashEuroNet UK LLC should pay Mr H compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 September 2017.

Renja Anderson  
**ombudsman**

## copy of provisional decision

### background

Mr H took out a total of 10 loans from Quick Quid between March 2010 and December 2013. The last of those loans was a “flex credit” loan, which meant that Mr H could borrow up to the credit limit, and he could make repayments over ten months.

Quick Quid doesn’t consent to our looking at loans 1 to 4 – it said that Mr H had made his complaint too late. Mr H said he no longer wanted to complain about those loans, but he wanted to continue his complaint about loans 5 to 10. So I’ve only looked at loans 5 to 10, but I’ve taken into account the overall circumstances of Mr H’s complaint.

Mr H has repaid all the borrowing, but he deferred and missed payments on several of his loans. He also entered into several repayment plans with Quick Quid, and he defaulted on loans 7 and 8. The longest gap between any two loans was just under two months. Here’s a summary of his borrowing history with Quick Quid:

loan number	loan amount	date taken	repayment date
1	£200	25/03/2010	30/04/2010
2	£300	06/05/2010	30/06/2010
3	£600	07/07/2010	02/12/2010
4	£600	03/12/2010	31/03/2011
5	£700	01/04/2011	05/10/2011
6	£800	05/10/2011	30/04/2012
7	£500	28/06/2012	22/02/2013
8	£250 £50 (top up)	22/02/2013	31/08/2013
9	£200	31/08/2013	16/11/2013
10 (flex credit)	£800	09/12/2013	30/03/2016

When Mr H brought the complaint to us, Quick Quid offered to refund the interest and charges applied on loans 6, 8 and 9, and remove any adverse information recorded on his credit file about these loans. It said that while it didn’t think the loans were unaffordable for Mr H, Quick Quid acknowledged that there may have been a pattern of dependency – these loans were taken out on the same day as Mr H repaid the previous one.

Mr H didn’t accept this offer, so one of our adjudicators looked into his complaint. He didn’t think that any of the checks Quick Quid made to assess the affordability of loans 5 to 10 were proportionate. And having looked into Mr H’s financial situation, he didn’t think that loans 5 to 10 were affordable for him. So he thought Quick Quid should refund the interest and charges applied on loans 5 to 10, and remove any adverse information recorded on his credit file about these loans.

Following this, Quick Quid extended its offer to include all of Mr H’s payday loans – loans 5 to 9. But it still thought that the flex credit loan (loan 10) was affordable for Mr H. But Mr H disagreed – he thought all of the loans were unaffordable. Because no agreement was reached, the complaint has been passed to me.

### 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 also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Firstly, it appears that the only loan now in dispute is loan 10. But I've noted that Quick Quid asked our adjudicator for details about Mr H's income and expenditure during loans 5 to 9. Our adjudicator had only referred to Mr H being left with little or no disposable income – he was heavily overdrawn, took out loans with other payday providers and made payments to online betting sites. So to be fair to both parties, I've looked at all of the loans originally in dispute (loans 5 to 10) and explained my findings in a bit more detail than the adjudicator did.

Having considered everything, I'm intending to uphold Mr H's complaint in full with regards to loans 5 to 10. I'll explain why.

Quick Quid was required to lend responsibly. It needed to make checks to see whether Mr H 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. This might include considerations about the amount borrowed, the associated cost and risk to Mr H, his borrowing history including any indications that he might be experiencing (or had experienced) financial difficulty, and so on.

The Office of Fair Trading (OFT) was the regulator in place when Mr H took out his loans. Its guidance states that *"creditors should take reasonable steps to assess borrower's likely ability to be able to meet repayments under the credit agreement in a sustainable manner"*. It also states that *"this is likely to involve more than solely assessing the likelihood of the borrower being able to repay the credit in question"*.

The OFT guidance explains that meeting repayments in a sustainable manner means repaying credit out of existing income and/or savings while also meeting other debt repayments and normal outgoings. And it also lists examples of sources of information to assess affordability – these include: record of previous dealings with the borrower, evidence of income, evidence of expenditure, a credit score, a credit report from a credit reference agency and information obtained from the borrower.

I don't think any of Quick Quid's affordability checks were proportionate. It says it assessed several factors every time Mr H submitted a new loan request, including information collected from credit reference agencies and the income details he provided. But I don't think these checks went far enough in the circumstances.

I've looked at Mr H's borrowing history with Quick Quid before he took out loan 5 – the first loan I'm looking at. And I can see that he took out all of these loans in fairly close succession. So by the time Mr H took out his fifth loan with Quick Quid, and given his declared income (£1,050) and the amount he was borrowing (£700), I think it should've built a full picture of Mr H's financial situation to make sure the loan was affordable for him. And I think it should've done so for all subsequent loans.

The longest gap between any two loans was between loans 6 and 7, but this was just under two months – Mr H repaid loan 6 in April 2012 and took out loan 7 in June 2012. And I note that his borrowing decreased for loans 7, 8 and 9. But given Mr H's borrowing history, I think Quick Quid should've continued to be concerned about Mr H's ability to repay his loans. For example, I've noted that Mr H missed several payments on most of his loans and paid a number of late fees for doing so. And he also entered into repayment plans with Quick Quid. So, as a responsible lender, I think Quick Quid should've done more before each time it lent to him.

At the time Mr H applied for loan 5, his salary was around £600 per month. He says he was studying and working part-time. And I can see he received his student loan payment the month before he took out this loan. But considering the student loan would've been to cover the whole term, the monthly proportion of the loan would've been around £590. So Mr H's overall income at the time was around £1,190 per month.

Mr H says his normal living costs including rent, bills and food were around £350 at the time. And his other regular outgoings, including a loan, phone bill and other financial commitments were at least £200 at the time. This would've left Mr H around £640 in disposable income, but the final repayment on loan 5 was around £848. So had Quick Quid looked into Mr H's financial situation, I think it would've seen this loan wasn't affordable for him.

When Mr H took out loan 6 his outgoings were roughly the same as when he took out loan 5 – so around £550. But his income had increased to around £1,600. However by now Mr H was also gambling a significant amount of money. For example, the month before taking out loan 6 he gambled over £1,000, and the previous month over £600. And had Quick Quid looked into his financial situation, as I would've expected it to do as a responsible lender, I think it would've discovered this.

I've also noted that Mr H was regularly borrowing significant sums of between £800 and £1,000, on a monthly basis from another short term lender. Around a week before Mr H took loan 6 he borrowed £1,000 from that lender which he repaid on the same day he took out loan 6. So I think, had Quick Quid done a full review it would've seen that Mr H was dependent on short term lending and had serious concerns about his ability to repay his loans sustainably. And I think it would've concluded that this loan wasn't affordable for Mr H – he wouldn't have been able to make the final repayment of £950 sustainably.

So I'm not satisfied that Quick Quid carried out enough checks. And if it had, it would've seen Mr H was relying heavily on payday loans, spending significant sums with gambling websites and that he didn't have enough disposable income to meet his repayments. But even putting aside that information and looking at what Quick Quid did have and know, including the lending history and the limited checks it did do, I think it should've had concerns about providing this loan to Mr H.

Mr H had taken six months to repay loan 5 which should've been repaid after two. And he'd paid late fees on around four occasions. Mr H had declared a monthly income of £1,050 and told Quick Quid he was paying rent. The repayment of the second instalment of £950 on loan 6 was to take up around 90% of his income – leaving him £100 from which to pay his rent and all his other normal outgoings. So I'm not persuaded Quick Quid acted responsibly when it provided this loan to Mr H without doing more checks.

Mr H says he was made redundant in April 2012, so when he took out loan 7 in June 2012 he wasn't working. And I can't see any income coming to his account around this time. So had Quick Quid done proportionate checks here, I think it would've concluded that this loan wasn't affordable for Mr H either.

I've noted that Mr H entered into repayment plan with Quick Quid during loans 6 and 7. And at the point he took out loan 8, he'd been paying Quick Quid around £50 a month, and he'd also defaulted on loan 7.

I've looked into Mr H's financial situation at the time he took out loan 8, and it's debatable whether it was affordable or not. His disposable income seemed to vary between roughly £350 and £760 at the time, but he also continued to gamble. After taking a top up on loan 8 (only a few days after taking out the original loan), the final repayment on this loan would've been £363.75.

But given the fact that Mr H had agreed a repayment plan on his previous loan of around £50 a month, and because he defaulted on that loan, I don't think Quick Quid should've given Mr H loan 8 either. As a responsible lender, I think it should've been concerned that Mr H's borrowing history seemed to indicate that he wasn't able to repay his loans sustainably.

Mr H entered into another repayment plan on loan 8, and again defaulted on this loan. So even though he only borrowed £200 for loan 9, I think Quick Quid would've already been aware that Mr H struggled to repay his loans. And as a responsible lender, I don't think it should've given him this loan.

The flex credit loan Mr H took out allowed him to repay his borrowing over ten months, but the maximum monthly payment he'd have to make if he drew down up to his credit limit was still £474.05 – and it was this amount that Quick Quid had to make sure was affordable for Mr H. Again, had Quick Quid carried out proportionate checks here, I don't think it would've given him this loan either.

I say this because Mr H's income at the time was around £1,300, and his regular outgoings were over £600. He'd also recently taken out a total of £500 in other short term credit. So had Quick Quid looked into Mr H's financial situation, I think it would've concluded that the flex credit loan wasn't affordable for him either.