

complaint

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

background

I sent both parties my provisional decision on 14 May 2019. A copy is attached and it forms part of this final decision. I asked Mr H and QuickQuid to let me know if they had anything to add.

Mr H didn't send me anything else to consider. QuickQuid didn't agree with my provisional decision and made a number of points. It said (in summary):

- The pattern of lending in Mr H's case doesn't show that he suffered detriment. There were gaps between loans of 44-98 days and the loan amounts fluctuated. This isn't a common pattern where a consumer is reliant on payday loans. Mr H's repayment history was generally good and he only ever paid two late fees.
- It doesn't think it's likely it would've found out about Mr H's gambling; Mr H could've had multiple accounts and gambling transactions can be disguised. It questions whether this service can be certain the gambling caused Mr H financial problems.

my findings

I've again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The new points raised by QuickQuid haven't changed my provisional decision to partially uphold Mr H's complaint. I'll explain why.

I think it's worth saying, before I respond to the points raised by QuickQuid, that when looking at the pattern of lending, I'm not just looking at one factor in isolation. As I said in my provisional decision, I'm taking into account several factors, such as the number and frequency of loans and the period of lending. Other factors include the loan amounts and repayment difficulties (if any). It will be the combination of some or all of these factors which may in some circumstances lead me to believe a pattern of lending can demonstrate unsustainable lending.

I appreciate the points QuickQuid has raised about the pattern of lending in Mr H's case. I had taken the gaps between the loans into account when reaching my provisional findings and I acknowledge there are a number of gaps of around three months between some of the loans from loan 6 onwards.

Whilst some of these breaks could be considered significant had they occurred earlier in the chain of borrowing, I think the breaks in Mr H's case become less significant the longer the lending relationship continued. By the time Mr H asked for loan 6, he'd already been borrowing from QuickQuid for more than a year and in this context I think it's less reasonable to say moderate breaks in lending of 44-98 days signify that Mr H's finances were improving, or that he was less likely be dependent on short-term credit.

In saying the above, it's important to remember QuickQuid was providing short-term loans at a high cost. They were not intended for use over the long term (QuickQuid's own website acknowledges this is an unsuitable use for the loans) but to deal with events like temporary cash-flow problems. That Mr H was accessing this type of credit so frequently is in itself indicative of financial difficulty.

I acknowledge that the amounts Mr H borrowed fluctuated, but I think it's fair to say there was a broad upwards trend; or at the very least, the amounts Mr H was borrowing didn't go down. Loans 8 and 10 were cumulatively the largest loans and were approved after two or three years of lending. None of Mr H's loans were for less than the original amount borrowed. So although the amounts he borrowed varied, I still think QuickQuid acted unfairly by allowing Mr H take expensive credit intended for short-term use over an extended period of time.

I do not consider that Mr H only paid two late fees to be a significant positive factor. Repaying loans on time isn't on its own an indicator of sustainability. As I said in my provisional decision, repayments shouldn't just be on time but also made *"while meeting other reasonable commitments; as well as without having to borrow to meet the repayments."*

I concluded that *"QuickQuid ought to have realised it was more likely than not Mr H was having to borrow further to cover the hole repaying his previous loan was leaving in his finances and Mr H's indebtedness was increasing unsustainably."* So the point QuickQuid made about Mr H's repayments generally not being late is something I already considered and it does not change my decision now.

Finally, I've considered the point QuickQuid raised about Mr H's bank statements and gambling. In Mr H's case, the nature, number and amounts of Mr H's gambling transactions are obvious from the bank statements I've seen. It's possible Mr H could've tried to hide this, as QuickQuid has suggested. But the evidence I've seen is that Mr H only had one current account up until February 2017, so I think this would've been difficult. The account with the gambling transactions I've identified also appears to be the account into which the QuickQuid and other loans were paid, so it would've been reasonably clear to QuickQuid whether or not it had a full picture of Mr H's income and expenditure.

The gambling transactions are not central to the outcome of the complaint; I mention them as they may help explain why Mr H so often had a monthly shortfall and why he borrowed as often as he did. But as I've explained above and in my provisional decision, the pattern of lending alone ought to have been enough to put QuickQuid on notice that the lending eventually became unsustainable for Mr H. So the points QuickQuid raised about the gambling transactions haven't changed my decision.

putting things right – what QuickQuid needs to do

- refund all interest and charges Mr H paid on loans 6-11;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement[†];
- the number of loans taken from loan 6 onwards means any information recorded about them is adverse. So all entries about loans 6-11 should be removed from Mr H's credit file.

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

my final decision

I uphold Mr H's complaint in part. 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 H to accept or reject my decision before 30 June 2019.

Matthew Bradford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

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

background

Mr H had 11 loans with QuickQuid. I've set out some of the information QuickQuid provided about the loans in the appendix to this decision.

An adjudicator considered Mr H's complaint and recommended it be upheld in part. He didn't think QuickQuid should've approved loan 2 or loans 7a to 11.

QuickQuid didn't agree with the adjudicator, so the complaint was 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. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

QuickQuid needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr H could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that QuickQuid should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that QuickQuid was required to establish whether Mr H could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr H's complaint.

For loans 1-5, I think it's unlikely proportionate checks would've suggested the loans were unaffordable. From what I've seen Mr H typically declared monthly living expenses of less than £300 and income of £1,000-£1,100 leaving him with disposable income in the region of £750 a month. The most Mr H had to pay towards a loan in this period was £453.

There are times when I think QuickQuid could've asked Mr H further questions about his short-term commitments. But I've not seen clear enough evidence to conclude that these would've led QuickQuid to believe loans 1-5 were unaffordable.

I'm therefore not planning to uphold the complaint about loans 1-5.

I've also looked at the overall pattern of QuickQuid's lending history with Mr H, with a view to seeing if there was a point at which QuickQuid should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so QuickQuid should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr H's case, I think that this point was reached by loan 6. I say this because:

- Up until loan 6, Mr H had been borrowing from QuickQuid for about a year and had been taking out new loans without a substantial break after repaying the preceding loan. This pattern continued from loan 6 onwards and QuickQuid continued to provide Mr H with new loans only shortly after settling previous loans. QuickQuid ought to have realised it was more likely than not Mr H was having to borrow further to cover the hole repaying his previous loan was leaving in his finances and Mr H's indebtedness was increasing unsustainably.
- The amounts Mr H was borrowing didn't decrease over time and he wasn't making any real inroads clearing his indebtedness to QuickQuid, despite borrowing over a substantial period. Loan 11 was taken out 40 months after Mr H's first. And it was for a larger amount. Mr H had paid large amounts of interest to, in effect, service a debt to QuickQuid over an extended period.

I've also noted that there are times when Mr H spends large sums of money on gambling – for example £1,500 in the month leading up to loan 6. There is evidence of a continuing pattern of significant expenditure on gambling – including more than £2,000 in the month leading up to the final loan. So although I think the pattern of lending alone was enough to indicate Mr H was likely to be in financial difficulty and that he wasn't using the loans to deal with a temporary cash flow problem, I also think QuickQuid could've likely established Mr H's expenditure was too high for him to sustainably repay loans 6-11 had it carried out proportionate checks during this time.

I think that Mr H lost out because QuickQuid continued to provide borrowing from loan 6 onwards because:

- these loans had the effect of unfairly prolonging Mr H's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time.
- the number of loans was likely to have had negative implications on Mr H's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So I'm planning to uphold the complaint about 6-11.

putting things right – what QuickQuid needs to do

- refund all interest and charges Mr H paid on loans 6-11;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement[†];
- the number of loans taken from loan 6 onwards means any information recorded about them is adverse. So all entries about loans 6-11 should be removed from Mr H's credit file.

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

my provisional decision

I plan to uphold Mr H's complaint in part and to tell CashEuroNet UK LLC to put things right by taking the steps set out above.

Appendix – loan table and notes

Some of Mr H's loans were topped up – this is where Mr H borrowed extra funds during the course of the loan agreement. The top-ups are denoted with letters in the 'loan no.' column.

Loan no.	Amount (£)	Start date	End date	Largest payment (£)
1	50	11/05/2014	01/07/2014	65
2	350	01/08/2014	29/08/2014	453
3	50	08/11/2014		65
3a	50	15/11/2014	28/11/2014	121
4	200	06/12/2014	30/01/2015	257
5	50	25/04/2015	30/05/2015	64
6	100	13/07/2015	28/08/2015	122
7	50	25/10/2015		64
7a	200	06/11/2015	29/02/2016	312
8	150	20/05/2016		185
8a	50	23/05/2016		246
8b	50	28/05/2016		308
8c	100	29/05/2016	30/09/2016	431
9	100	06/01/2017	28/02/2017	122
10	200	11/05/2017		251
10a	150	12/05/2017		440
10b	75	19/05/2017	08/06/2017	534
11	200	14/09/2017	25/10/2017	266