

## **complaint**

Mr B complains that the loans approved by CashEuroNet UK LLC (CEN), trading as QuickQuid, were unaffordable and showed that CEN was irresponsible in its lending decisions.

## **background**

I attach my first and second provisional decisions dated 12 September 2018 and 15 November 2018. These form part of this final decision and should be read in conjunction with it. In my provisional decisions I explained why I intended to uphold Mr B's complaint in part. I invited both parties to provide any further comments they may have by 29 November 2018 before I reached a further decision.

Mr B has agreed with my second provisional decision and had nothing further to add. The one point on which he required clarity was emailed to him on 19 November 2018. CEN responded to say it had nothing further to add.

## **my findings**

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

I am content that Mr B has accepted my provisional decision. And as CEN has not added anything further, I see no reason to alter the conclusions I reached in my two provisional decisions.

## **my final decision**

For the reasons set out above and in my provisional decisions dated 12 September 2018 and 15 November 2018, I uphold Mr B's complaint in part.

CashEuroNet UK LLC should put things right for Mr B in the way I have set out in that second provisional decision which is attached and forms part of this final determination.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision on or before 11 January 2019.

Rachael Williams  
**ombudsman**

## my second provisional decision dated 15 November 2018

### background

I attach my provisional decision dated 12 September 2018, which forms part of this second provisional decision and should be read in conjunction with it. In my first provisional decision I explained why I intended to uphold Mr B's complaint in part. I invited both parties to provide any further comments they may have had by 26 September 2018 before I reached any further decision.

Mr B has agreed with most of the first provisional decision save for a particular period during Loan 2. He has explained it and in summary he says;

- i) if loan 2E and 3 are upheld then he cannot see why the borrowing in between would not be upheld for the same reasons
- ii) there were further changes made to the terms of the agreement without proper notice or explanation being given
- iii) the repayment of £547.71 on 20 September 2014 was not affordable
- iv) whilst he did eventually repay this borrowing in August 2015 he could not do this without borrowing from other lenders and was allowed to borrow £1,000 (loan 3) from CEN.

CEN has disagreed with my findings in relation to the FlexCredit account (Loan 2) - that it was treated as a series of payday loans. It says that it was designed to be '*like a credit card*' and that Mr B used it as it was meant to be used.

CEN also says that all assessments of loan applications after 1 March 2015 were in line with FCA regulations and as such it considers that Loans 3 to 6 were affordable to Mr B. It has sent me a long and detailed document to substantiate this submission.

So I have reconsidered the points raised by both parties and chosen to issue a second provisional decision.

The loan table here was created using the information I had received from CEN. I refer to the loans in accordance with the numbering here.

Loan	Date	Amount	Instalment repayments (rounded)	Date due to pay	length
1	2 /1/14	£400	20/1/14 £118 20/2/14 £118 20/3/14 £518	20/3/14	77 days
2 FlexCredit	3/4/14 to 20/8/15	Credit limit of £950 at first	Original ten theoretical instalments were 17/4/14 - £204 until last 20/1/15 - £120. In reality the repayments differed	originally by 20/1/15	about 16 months
3	24/8/15	£1,000	18/9/5    £200 20/10/15   £256 20/11/15   £1,248	20/11/15	88 days
4	27/11/15	£550	18/12/15   £83 20/1/16    £131 18/2/16    £669	19/2/16	84 days
gap of one year					
5	14/2/17	£700	20/3/17    £171 20/4/17    £174 19/5/17    £862	19/5/17	originally 94 days repaid early on 21/3/17 by a third party

6	13/5/17	£250	20/6/17    £76 20/7/17    £60 18/8/17    £308	due 18/8/17 but put back to 25/8/17 sums remain outstanding	97 days
	19/5/17	Additional funds of £300	same repayment dates at £153, £132 & £678		91 days
1/9/17 Mr B sent repayment proposals and a complaint to QuickQuid.					

### my second set of provisional findings

I have reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered. Details of my findings are set out in that first provisional decision which is attached and forms part of this second provisional decision.

### Loan 2

Essentially, I have looked again at Loan 2 and taken into account both sets of submissions by both parties in relation to it. My current thinking is that my provisional findings on it remain the same until what I have named Loan 2E and:

1 – whilst CEN may consider that it's FlexCredit loan account was designed to run like a credit card, my detailed reading of all of the information I have in relation to the FlexCredit account CEN had with Mr B leads me to think that this one did not proceed in that way. I do think that this was an account which was like a series of payday loans in that Mr B did repay all or most of the principal sums within the month and not over a longer period (often suggested to be a ten month period).

CEN said *"It is standard that whenever there is a drawdown, the consumer has the option to repay the funds in full the following month or within 10 monthly instalments. At no point was Mr B ever expected to repay outside of the standard set."* But having seen many of the emails where demand for full payment was made to Mr B during the FlexCredit account's life then I do not accept this statement applied to Mr B's situation.

2 – I accept what Mr B has said in relation to the fact that his financial situation and his gambling continued after the loan I have named as Loan 2E. So it's likely that a responsible lender having carried out the checks I would have expected it to have carried out would have realised that Mr B was not in a position to repay this loan.

So for the reasons outlined in my first provisional decision (attached) and the reasons outlined here, I am planning to uphold the FlexCredit lending decisions from 6 May 2014 to end August 2015.

### Loans 3 to 6

CEN has sent me a detailed document which CEN has explained is *'the entire lending process'* including the checks it carried out and the types of acknowledgements it invited customers to note. And it also explains that it had an *'affordability review'* put in place from 1 March 2015 *'which involved collecting and validating income and expense details from customers, in line with the FCA Handbook.'*

*'EDI' is a CEN term for 'estimated disposable income'. CEN said that it "uses validated data in order to determine the customer's estimated disposable income (EDI). ...[it] makes loans where total payments are less than 80% of the customer's total EDI for the term of the loan. This assessment, including the validation of expenses and income [was] conducted on each loan application."*

The first point I must make is that these details are not specific to Mr B's actual loan assessments and as such I can only read them as being generic. And I have not been given the actual results of all of

these checks carried out for Mr B's loan applications. So I cannot satisfactorily assess what it was that CEN had when making the decisions it made for Mr B.

And in any event, the document addresses the application process without taking into account some particular features of Mr B's financial situation which would have made a material difference. That relates to Mr B's extensive gambling. And whereas all of these checks it carried out may have satisfied it on a number of levels, the actual position of Mr B's finances was that his gambling was extensive and persistent.

As such I do not think that Mr B was able to afford these loans. And I refer to my earlier provisional decision where I make that point on each of the loans 3 to 6.

For the reasons set out in my first provisional decision (attached) and the reasons I have outlined here, I am planning to uphold Loans 3 to 6.

### **putting things right**

To put things right for Mr B, I am planning to direct that CEN should:

- refund all the interest and charges applied as a result of the lending on the FlexCredit account (Loan 2) from 6 May 2014 to end August 2015, and Loans 3, 4, 5 and 6; and remove any charges applied but unpaid for Loan 6;
- add interest at 8% per year simple on the above refunded interest and charges from the date they were paid, if they were, to the date of settlement\*\*;
- remove any adverse payment information recorded on Mr B's credit file as a result of the interest and charges on these loans.

Usually CEN would be entitled to set off any monies arising from the redress against any monies Mr B may owe it for Loan 6, but the sums which can be used to set off any outstanding sum for Loan 6 can only be those from the second loan chain. Loan 5 is the only other loan in that second loan chain.

If any monies remain outstanding (after the offset) on Loan 6, CEN should enter into a reasonable repayment schedule but of the principal sum only – not the interest and charges.

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

***this is the end of the second provisional decision extract.***

## **my provisional decision dated 12 September 2018**

### **complaint**

Mr B complains that the loans approved by CashEuroNet UK LLC (CEN), trading as QuickQuid, were unaffordable and showed that CEN was irresponsible in its lending decisions.

### **background**

Mr B says that he took many loans and that he was trapped into a debt spiral and the repayments took so much of his wages that he had to borrow again to cover his next month's expenses. QuickQuid should have realised that his debt problems were getting worse and it was not responsible of QuickQuid to continue to lend to him.

The brief table of approved loans (at the end of the decision) has been created by me using the information from QuickQuid's records. Mr B considers that the FlexCredit account was a series of separate loans, and I have looked at this as part of my decision.

QuickQuid sent us details of the loans and its credit search log (not the search results) and explained why it considers that the loans were likely affordable. It offered to waive the interest and charges on the outstanding Loan 6 balance, and set up a repayment arrangement for the remaining balance.

Our adjudicator considered Mr B's complaint and thought that QuickQuid ought to put things right for Mr B in relation to Loans 3, 4 and 5.

Loan 1 was not upheld and Mr B has not disagreed with that. Mr B does challenge the adjudicator's opinion in relation to the FlexCredit (Loan 2) account and Loan 6. He asked for the complaint to be passed to an ombudsman.

QuickQuid challenges our adjudicator's view in relation to Loans 3, 4 and 5, but is silent in relation to Loans 1 and 6. QuickQuid has answered some additional queries our adjudicator has asked about the FlexCredit (Loan 2) account.

The only common ground is in relation to Loan 1 and so I do not plan to review that loan. As the remainder of the complaint has not been resolved then it has been passed to me for a decision.

### **my provisional findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they are borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend.

The key element was that any checks needed to be proportionate and had to take into account a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

## Loan 2 - FlexCredit account

April 2014 was when Mr B applied for this FlexCredit account. It is described by QuickQuid as a running account style credit account and it says is designed to afford the customer flexibility. It says that a customer has the option to repay the funds in full or within ten instalments.

Mr B has said that this was unclear and a way for QuickQuid to approve additional loans without the need for any affordability assessment.

The first point to deal with is the credit limit - QuickQuid has said that the credit limit was set at £1,100 from the beginning and that Mr B's first drawdown was for £950. Mr B has explained that the limit was raised and no emails were sent about this. I have a copy of the original agreement and it confirms to me that the limit set in April 2014 was £950.

From the agreement itself dated 3 April 2014 I can see that some of the terms were:

***"Credit Limit: £950.00 This limit may be varied to such sum as may from time to time be determined by the Creditor and you will be given notice of it.***

***How and when credit will be provided: ... You may request additional funds at anytime. Any request for additional funds is subject to our review of your account and is subject to approval in accordance with our responsible lending criteria."***

QuickQuid's response to our query is here (I have removed some of the loan account numbers for confidentiality and used Mr B's initial):

*"Further to FOS's query in respect to FlexCredit agreement \*\*\*\*813, there is only one contractual agreement available, which has been provided to yourselves 21 February 2018.*

*The total approval limit for the FlexCredit was for £1,100.00 and the initial drawdown was for £950.00 – which was Mr B's initial credit limit approval. The following will outline the credit limits and dates of increases:*

*With credit increases, a new contract are not provided, however, the repayment schedule is updated and the consumer has access to this amendment within their online profile. Additionally, an email with each credit increase was provided as well."*

I have read the emails between Mr B and QuickQuid during the life of the FlexCredit account and I have not seen any official email to confirm a credit limit increase. But I have seen, for example, QuickQuid used the phrase during the life of the account *"Each repayment will consist of £1000.00 of principal (equating to 100.0% of outstanding principal)"* which is clear to me that the limit then was £1,000 and an increase from £950. It also demonstrates that it was *not* the £1,100 QuickQuid says that it was from the beginning.

Overall, I think that the credit limit was for £950, it was exceeded within weeks of it being agreed and no notice was given to Mr B of any increase.

The next point to consider is the original lending decision made in April 2014.

I have taken time to look into this agreement in some detail. The ten stage repayment figures usually were calculated on the assumption that the successful applicant would drawdown the maximum funds and then repay over a reasonable period usually of 10 months. Here, for Mr B with a credit limit of £950, the highest scheduled repayment was due to have been £326.

The credit period was due to be stretched over many months so I would have expected QuickQuid to have had details of Mr B's income, his regular financial commitments and living costs at this stage. QuickQuid had Mr B's income, but it did not have any details of his expenditure.

Using the figures and explanations supplied by Mr B, the bank statements we have for Mr B and the assessment our adjudicator has done then it seems that Mr B would have had about £916 income left after repaying all the usual living costs and regular financial commitments he had. So it seems that Mr B was likely able to afford the £325 (highest scheduled repayment) and I think that QuickQuid's decision to grant this line of credit to Mr B would have likely been the same had it obtained these figures from Mr B in April 2014.

So I do not plan to uphold Mr B's complaint on that part relating to the original approval of the FlexCredit account.

The next issue arising from the FlexCredit account is that Mr B says it was a series of loans. I think that from 6 May up to July 2014 it was being treated as a series of payday loans, and I explain why here.

Mr B cleared his balance to zero in late April 2014. On 4 and 5 May 2014 he received £950 in new funds (£500 and £450) plus an email on 6 May 2014 requesting full repayment of just over £1,067 due 20 May 2014.

And I notice that this occurred two more times on 25 May and 25 June 2014. The three loans outlined here up to 25 June 2014 I am treating as a series of payday loans. I plan to refer to them as Loans 2B, 2C and 2D.

So I consider a fresh assessment of Mr B's circumstances ought to have taken place for each of these three loans in May and June 2014. This would have included knowing Mr B's income, regular financial commitments and living costs together with checking Mr B's outstanding short term lending liabilities (STL) to other lenders.

QuickQuid carried out a credit bureau full search on 22 May 2014 but I do not have the results of that. His STL debts do not appear to have commenced in May 2014.

I have looked at Mr B's bank statements for April and May 2014 and I can see that he had taken a large loan from family members on 27 April 2014, and that he was repaying those family members in stages. He repaid £750 to them on 30 April 2014. He was often close or over his overdraft limit of £5,000 and regularly incurring overdraft fees and bank charges. And on the day that he received some funds from QuickQuid in early May he also had to reclaim that £750 from his family, and another £1,000 on 8 May 2014 so the debt to them had increased to £5,800.

On the figures referred to above, Mr B would have been left with about £916 each month and so these loans, 2B, 2C and 2D would not have been affordable all paid in one lump sum as payday loans.

I am planning to uphold Mr B's complaint in relation to these three loans: 6 May, 25 May and 25 June 2014 – Loans 2B, 2C and 2D.

On 25 June 2014 Mr B received a notice of variation and the pattern of email requests for repayment differed. QuickQuid seems to approve additional fund drawdowns and then asks for partial payment. However, it seems that Mr B continued to treat these advances as individual loans as he repaid them within a month. An example is that on 12 July and 13 July 2014 he received £1,000 (£400 and £600) of fresh funds. Mr B repaid in full on 20 July 2014. So I plan to call this Loan 2E.

I think that the check proportionate to the loan request at this stage was for QuickQuid to have carried out a full review of Mr B's financial circumstances. This would have included verifying Mr B's income, his regular financial commitments and living costs together with outstanding STL to other lenders and generally making full enquiries. I do not think that QuickQuid did this and so I have looked at all the information I have from Mr B, his bank statements and details to reconstruct a picture of his financial position at the time.

I do not think that Mr B did have any other outstanding STL liabilities. I can see that he continued to repay the family members and to borrow from them. But one aspect that Mr B has asked me to consider is that he was spending a lot of money on gaming and betting at the time. He thinks that this ought to have been a consideration.

Before this point in the relationship I do not think that this is something that QuickQuid would have been aware of and not likely to know about. I realise that Mr B expects that this ought to have been a factor from the beginning of the lending relationship. But I doubt that this would have been something Mr B would have likely volunteered to QuickQuid for Loan 1 or the initial part of the FlexCredit account.

But by Loan 2E I do think that QuickQuid carrying out a full review of his financial situation could have included looking at Mr B's bank statements. So with the proportionate checks I would have expected QuickQuid to have made at this stage, it's likely that it would have become aware of Mr B's spending levels on betting and gaming. In some months this was about £2,000. With this in the picture I doubt that a responsible lender would have made the decision that QuickQuid did make.

I am planning to uphold Mr B's complaint in relation to Loan 2E.

After Loan 2E was approved, Mr B did not repay the balance in full each month. Mr B seemed to repay the instalment (or similar) sums requested by QuickQuid in its emails. These reduced the balance but did not pay it off completely.

The balance remained quite high as Mr B also asked for additional funds (smaller amounts than before) quite regularly. It seems that the FlexCredit repayment terms do appear to have been treated as if they were in place again. Part of Mr B's complaint is that he found this FlexCredit account confusing and I can see why.

On 17 December 2014 Mr B received formal notice from QuickQuid that no further drawdowns were going to be possible from 1 January 2015. Mr B was given the option to reapply in February 2015, and it looks as though Mr B did not apply for any further drawdowns after the one he took on 1 December 2014. Mr B repaid the outstanding balance over the subsequent months. The account closed with a nil balance on 20 August 2015.

### **Loan 3**

By the time Mr B applied for Loan 3 for £1,000 in August 2015, I consider that QuickQuid ought to have continued to carry out a comprehensive review of Mr B's financial situation, including, verification of his income and outgoings, regular financial commitments and STL liabilities. I do not think that QuickQuid did this and so I have looked at all the information I have from Mr B, his bank statements and details to reconstruct a picture of his financial position at the time.

I can see that Mr B had started to borrow from other STL lenders and by August 2015 he had been borrowing from at least four other lenders while he had been paying off the FlexCredit account.

Our adjudicator came to the conclusion that Mr B would have had about £978 left after repaying all that was due (including STL) and his usual expenditure. But he was spending a lot of money on gaming and betting at the time.

By the time Mr B was applying for Loan 3 I think that carrying out a full review of his financial situation could have included looking at Mr B's bank statements. By doing that then I think that QuickQuid would have seen Mr B's spending included the betting and gaming purchases.

So with the proportionate checks I would have expected QuickQuid to have made for Loan 3 then it's likely that it would have become aware of Mr B's spending levels on betting and gaming. With this in the picture I doubt that a responsible lender would have made the decision that QuickQuid did make.



And I say that knowing of the repayment structure of two interest only payments and a third, larger final payment. I am planning to uphold Mr B's complaint in relation to Loan 3.

#### **Loan 4**

Mr B applied for Loan 4 in November 2015. This was close to two years after Mr B first approached QuickQuid for Loan 1. And I think it follows from all that I have said about Loan 3 that QuickQuid ought to have carried out comprehensive review of Mr B's financial situation, including, verification of his income and outgoings, regular financial commitments and STL liabilities. I do not think that QuickQuid did this and so I have looked at all the information I have from Mr B, his bank statements and details to reconstruct a picture of his financial position at the time.

So with the proportionate checks I would have expected QuickQuid to have made for Loan 4 then it's likely that it would have become aware of Mr B's spending levels on betting and gaming which was about £2,500 at this time. With this in the picture I doubt that a responsible lender would have made the decision that QuickQuid did make. And I say that knowing of the repayment structure of two interest only payments and a third, larger final payment.

I am planning to uphold Mr B's complaint in relation to Loan 4.

#### **Loan 5**

The last payment made on Loan 4 was 19 February 2016. Mr B applied for Loan 5 on 14 February 2017. This represents a long enough period for me to consider that it would be reasonable for QuickQuid to treat Mr B as a new customer.

And I say this including the gambling elements as well. This is because it is not unreasonable to consider that a person who used to spend a lot on gambling may have altered in the period of time from February 2016 to February 2017. And the lending decision for Loan 4 (the previous loan) had been made even earlier – November 2015.

With this in mind, when Mr B applied for Loan 5 I think that proportionate checks by QuickQuid for a £700 loan with an income level of about £3,850 (as declared to QuickQuid) ought to have included looking at Mr B's regular expenditure, living costs, financial commitments and any STL liabilities he may have had at this time.

QuickQuid had an earlier record of Mr B's income being £3,850 and it had Mr B's outgoings – total of £2,125. This is the figure I think it was reasonable for QuickQuid to rely on.

QuickQuid did not appear to have information on Mr B's STL liabilities and so I have looked carefully at Mr B's statements and what Mr B has told us. I think that his situation was more entrenched and more severe than our adjudicator thought it was.

On 23 January 2017, a couple of weeks before Mr B applied for Loan 5, he had repaid eight different lenders a total of about £2,500. And these repayments appear again later in the month (after taking Loan 5) and so may well have been instalment sums or immediate repeat borrowing. So these would have been due to be repaid about the time of Loan 5.

And to substantiate that point, looking forward on Mr B's statements, I could see that about a month after Mr B took Loan 5, 21 March 2017, I can see many of these same lenders being paid again, plus some new loans taken around the same time as Mr B took Loan 5 being paid. All of these added up to about £1,700.

So then I must turn to QuickQuid's explanation about the three payment structure. I do not think it's likely that Mr B would have been able to repay the first and second instalments (about £171 and £174). And the final instalment of about £862 was much more. So I do not think it is feasible he could have repaid that either. So I plan to uphold Mr B's complaint in relation to Loan 5.

## **Loan 6**

Loan 6 was for a lesser sum. I note that the email correspondence between Mr B and QuickQuid in relation to the early repayment of Loan 5 specifically refers to a named third party who cleared Loan 5. So QuickQuid was directly aware that Mr B had to borrow from another party in order to repay this borrowing.

So I think that it would have been proportionate for it to carry out a full and comprehensive review of Mr B's financial position when he applied for Loan 6 on 13 May 2017. And particularly relevant as a few days later after the £250 was approved Mr B requested an additional £300.

So with the proportionate checks I would have expected QuickQuid to have made for Loan 6 and the Loan 6 top-up sum then it's likely that it would have become aware of Mr B's spending levels on betting and gaming. With this in the picture I doubt that a responsible lender would have made the decision that QuickQuid did make. And as well as this I can see

A few months later Mr B was struggling to repay and so the decision to lend does appear to have been the wrong one. I am planning to uphold Mr B's complaint in relation to Loan 6 and the top-up.

***this is the end of the provisional decision extract***