Financial Ombudsman Service

complaint

Mr R has complained about short-term loans granted to him by CashEuroNet UK LLC trading as QuickQuid. Mr R says he couldn't afford these loans and that QuickQuid didn't take appropriate steps to check whether he could afford them when he took them out.

background

QuickQuid agreed 13 short-term loans for Mr R between May 2015 and January 2017. The loans ranged from £100 to £250 and were generally repayable over three instalments. On two of these loans Mr R took out top-ups. This is where he raised further funds under the same agreement, before repaying the initial amount borrowed. I've set out a summary of lending below.

loan no.	application	principal amount (£)	no. of instalments due	highest monthly repayment due (£)
1	10/05/2015	150	3	167
2	05/08/2015	200	3	220
3	13/09/2015	150	3	167
4	09/11/2015	100	3	110
5	27/12/2015	250	3	278
6	15/01/2016	100	3	111
7	06/03/2016	100	3	111
8	30/04/2016	150	3	167
9	13/06/2016	150	3	167
10	10/08/2016	100	3	111
top-up 1 on loan 10	04/09/2016	450	2	612
11	26/09/2016	100	3	111
top-up 1 on loan 11	29/09/2016	50	3	167
top-up 2 on loan 11	02/10/2016	50	3	222
top-up 3 on loan 11	03/10/2016	50	3	278
12	10/12/2016	200	3	222
13	20/01/2017	100	3	111

One of our adjudicators has looked into Mr R's complaint already and recommended the complaint be partially upheld. She felt the checks QuickQuid carried out on loans 1 - 4 were proportionate, but that the checks from loans 5 onwards weren't.

She felt that had QuickQuid carried out proportionate checks, it would've realised that while loan 5 would've still been affordable for Mr R, that he wouldn't have been in a position to sustainably repay loans 6 – 13, and therefore QuickQuid should not have agreed to those loans.

QuickQuid disagreed with the adjudicator's findings. So the case has been passed to me for a decision. As Mr R has raised no further arguments regarding the adjudicator's findings on loans 1 – 4, my decision will focus on the remaining loans; loans 5 – 13.

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

The Financial Conduct Authority was the regulator at the time Mr R borrowed from QuickQuid. Its regulations for lenders are set out in its consumer credit sourcebook (generally referred to as "CONC"). These regulations require lenders to take "*reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences."* – CONC 5.3.1(2).

CONC 5.3.1(7) defines 'sustainable' as being able to make repayments without undue difficulty. And explains that this means borrowers should be able to make their repayments on time and out of their income and savings without having to borrow to meet these repayments.

In making this decision I've considered whether or not QuickQuid did everything it should've when assessing Mr R's loan applications. And if it didn't, had it done further checks, whether it would've realised that some, or all of the loans may have been unaffordable for him.

Having reviewed the case, I agree with the adjudicator's findings. I think the checks QuickQuid carried out from loan 5 onwards were insufficient. And had it carried out proportionate checks, it would've concluded that loans 6 – 13 weren't sustainably affordable for Mr R, and wouldn't have agreed to them.

So I'm upholding Mr R's complaint for the same reasons as our adjudicator did and directing QuickQuid to put things right in the way she recommended. I appreciate this will be a disappointing outcome for QuickQuid, but I hope my explanation will make it clear as to why I've reached this conclusion.

did QuickQuid carry out proportionate checks?

QuickQuid says it carried out proportionate checks when Mr R applied for each of his loans. It's said that in line with its internal process, at the time of each application, it conducted its standard credit assessment, which included pulling Mr R's credit report. And as part of its assessment, it analysed his current financial commitments, insolvency records, delinquency records, County Court Judgements, credit enquiries and other credit accounts currently open. So I've considered this when deciding this case.

loan 5 onwards

When Mr R took his fifth loan, he'd been borrowing from QuickQuid for over seven months – taking out loans that were intended for use on a short-term basis. Loan 5 was for £250, and was taken out just three days after he repaid loan 4. And this was the highest amount he'd borrowed up until this point.

While I may have thought it acceptable for lesser checks to have been carried out on some of the earlier applications Mr R made; given how long he'd now been borrowing from QuickQuid, I think by this stage, QuickQuid's checks should've gone further.

I think from loan 5 onwards, QuickQuid should've built a full picture of Mr R's financial circumstances, and verified the information it was given. So I don't think the checks it carried out from loan 5 onwards were proportionate.

what would proportionate checks most likely have shown?

Mr R's provided bank statements from around the time he took his loans with QuickQuid. So I've looked at these and all other available evidence, to work out what I think QuickQuid would've found out, had it carried out proportionate checks.

loan 5

When Mr R took this loan, he seems to have also been borrowing from several other short-term lenders around this time. And it seems he was due to make about ten payments to these lenders in the following month – totalling around £180.

As well as the above short-term credit commitments Mr R had, he was now starting to spend small amounts of money on gambling. And this is something QuickQuid would've been aware of had it carried out proportionate checks, and is something it should've taken into account when carrying out its creditworthiness assessment.

But, having considered the above, I still don't think it would've been unreasonable for QuickQuid to have concluded this loan was affordable for Mr R based on this assessment. So I don't think for this loan, it was irresponsible of QuickQuid to approve his application.

loan 6 onwards

When Mr R took out loan 6, he'd been borrowing from QuickQuid for around eight months, taking out loans that were intended to be provided for short-term use. CONC 6.7.22 says that – "*a firm should not allow a customer to enter into consecutive agreements with the firm for high-cost short-term credit if the cumulative effect of the agreements would be that the total amount payable by the customer is unsustainable."*

It then refers to paragraph 6.25 (box) of the Office of Fair Trading's Irresponsible lending guidance (ILG) issued in 2010. Part of which explains that – "*the purpose of payday loans is to act as a short-term solution to temporary cash flow problems experienced by consumers. They are not appropriate for supporting sustained borrowing over longer periods, for which other products are likely to be more suitable."*

Not only does it seem to me that the loans being taken weren't being used as a short-term solution, but I think had QuickQuid carried out proportionate checks, it would've seen that Mr R was due to make over 20 payments to other short-term lenders in the coming month. I think it would've also seen that Mr R was now starting to increase the amount he was gambling, both in terms of the frequency of gambling transactions, as well as the overall amount he was spending.

While I accept that it's possible some of the following loans QuickQuid went onto lend, may in themselves have appeared to be affordable for Mr R; in making its creditworthiness assessment, QuickQuid had to consider more than simply Mr R's ability to repay the credit - CONC 5.3.1(1). It also, as mentioned earlier, had to take reasonable steps to assess Mr R's ability to meet his repayments in a sustainable manner without incurring financial difficulties or experiencing significant adverse consequences – CONC 5.3.1 (2). And it should've borne in mind the purpose of this type of credit.

I think that any further lending to Mr R from loan 6 onwards, was contributing to a pattern of lending that would be otherwise unsustainable for Mr R to continue to meet his obligations under. And so it follows, that I don't think QuickQuid should've approved any of the loans it did from loan 6 onwards, as to do so, would be irresponsible.

In summary, I don't think the checks QuickQuid carried out from loan 5 onwards were proportionate. And I think that had it carried out proportionate checks, it would've seen that Mr R was not only gambling, but was reliant on short-term credit. So I don't think it was acting responsibly when it provided loans 6 onwards, as his ability to repay those loans, was not going to be through sustainable means.

what QuickQuid should do to put things right

For the reasons outlined above, I think QuickQuid should not have approved any of Mr R's loan applications from loan 6 onwards. So it needs to refund all of the interest and charges Mr R paid on these loans.

Specifically, it should:

– refund the interest and charges paid for the loans it agreed between January 2016 and January 2017, including any top-ups on these loans
– pay interest on these refunds at 8% simple from the date of payment to the date of settlement
– remove any adverse information about these loans from Mr R's credit file

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

my final decision

For the reasons set out above I uphold Mr R's complaint.

And I require CashEuroNet UK LLC trading as QuickQuid, to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 November 2018.

Brad Mcilquham
ombudsman