

complaint

Mr W complains about the payday loans he took out with CashEuroNet UK LLC trading as QuickQuid. He says that the loans trapped him in a debt spiral and he was increasingly using expensive borrowing for his day to day expenses. He thinks QuickQuid didn't do the checks it should've done. If it had done the proper checks, it would've realised he had financial problems and not lent to him.

background

I issued my provisional decision saying that Mr W's complaint should be upheld in part. A copy of the background to the complaint, my provisional findings and what I thought the business should do to put things right, is attached and forms part of this final decision. In that I explained why I was intending to uphold Mr W's complaint in part.

QuickQuid, and Mr W, confirmed that they had received my provisional decision.

Mr W agreed with my provisional decision.

QuickQuid didn't fully agree, it said that:

- It should've made further checks before loans 1 and 2. But it thought it was likely that Mr W would've declared that he had enough disposable income to repay these loans. He confirmed in his complaint what he thought his income was at the time.
- It didn't agree that Mr W had mismanaged the flex credit account. It said he could've repaid the lending over 10 months rather than straight away as he did.
- QuickQuid didn't disagree with what I said about loans 6 to 13.

my findings

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

Having done so, I've decided to partially uphold Mr W's complaint for the same reasons. I'll explain why.

As I said in my provisional decision Mr W declared different amounts of income just before the first loan. I don't think it was reasonable for QuickQuid to rely on the information Mr W was providing due to this discrepancy. So I still think that QuickQuid should've verified his income to find out which one was right.

It might not be unreasonable to use what Mr W said in his complaint about his income. However, in order to come to a view about what QuickQuid would likely have found out, had it sought to verify Mr W's income, I think it's more reliable to look at his bank statements from the time than what he now recalls about his income.

And I don't think the information from the time of sale supports what QuickQuid say about Mr W now declaring that his income varied significantly between two amounts.

Mr W has provided his bank statements that show what he was paid. And I think if QuickQuid had made further checks it's likely it would've seen that Mr W's income was near the lower amount that he declared. And this means that he couldn't afford the repayments for the first three loans.

I still think that the way Mr W used the flex credit account was unusual and should've led to QuickQuid questioning if he was using short term borrowing in a sustainable way. That said, as I said earlier, I think this loan wasn't affordable for Mr W and QuickQuid would've seen this if it had made better checks.

QuickQuid hasn't disagreed with my findings about loans 6 to 13. So I still think these loans should be upheld for the same reasons I gave in my provisional decision.

putting things right

QuickQuid shouldn't have lent to Mr W from 1 August 2014 to 25 February 2015 and from 31 July 2015 to June 2016 (inclusive). So for loans 1 to 3 and 6 to 13 QuickQuid should:

- Refund any interest and charges applied to those loans.
- 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 W's credit file in relation to those loans.

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

If Mr W still owes QuickQuid any of the principal balance he borrowed on his final loan, QuickQuid may deduct this from the compensation that is due to him. To be clear, that outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Mr W has made on that loan as though they were applied against the principal sum borrowed.

my final decision

For the reasons I've explained, I partly uphold Mr W's complaint. CashEuroNet UK LLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 February 2018.

Andy Burlinson
ombudsman

copy of the background, findings and putting things right from my provisional decision

Mr W took out 13 loans with QuickQuid over a period of around 18 months. Some of the information QuickQuid has given us shows that these are:

| Loan No and top up | date taken | principal amount | initial term (days) | repaid |
|---------------------------|-------------------|-------------------------|----------------------------|---------------|
| 1 | 01/08/14 | £200.00 | 14 | 15/08/14 |
| 2 | 21/08/14 | £200.00 | 25 | 15/09/14 |
| 2a | 27/08/14 | £50.00 | | |
| 3 - flex credit | 11/10/14 | £650 limit | | 25/02/15 |
| 4 | 05/04/15 | £100.00 | 101 | 15/07/15 |
| 5 | 15/07/15 | £150.00 | 92 | 15/07/15 |
| 6 | 31/07/15 | £300.00 | 46 | 14/08/15 |
| 7 | 31/08/15 | £300.00 | 74 | 03/09/15 |
| 8 | 12/09/15 | £100.00 | 33 | 15/09/15 |
| 8a | 14/09/15 | £100.00 | | |
| 9 | 09/10/15 | £100.00 | 35 | 18/10/15 |
| 9a | 12/10/15 | £100.00 | | |
| 10 | 25/10/15 | £200.00 | 82 | 16/11/15 |
| 10a | 30/10/15 | £200.00 | | |
| 11 | 03/12/15 | £250.00 | 74 | 15/01/16 |
| 11a | 05/12/15 | £150.00 | | |
| 12 | 31/01/16 | £200.00 | 75 | 13/02/16 |
| 12a | 08/02/16 | £150.00 | | |
| 13 | 21/02/16 | £200.00 | 82 | OS |
| 13a | 29/02/16 | £300.00 | | |

I can see the adjudicator didn't give the flex credit a number but I've called this loan 3 and changed the other loan numbers correspondingly. Some further information about the loans is:

- Loan 4 was paid over two periods, a payment of around £30 then a payment of around £146.
- Loans 1 to 12 were repaid early. Mr W received an interest credit, or discount, when he did this.
- Loan 13 hasn't been fully repaid.

QuickQuid has looked at Mr W's complaint. It didn't think that it should be upheld. It said that it did appropriate checks and that Mr W's credit score was always good. He had a reasonable income at all times and he had a very good repayment history. It said that when Mr W needed a repayment plan it arranged this immediately.

Our adjudicator thought that Mr W's complaint should be partially upheld. She thought that QuickQuid had made proportionate checks for the first two payday loans and the flex credit loan 3.

But she didn't think that QuickQuid had made proportionate checks for loans 4 to 13. She thought if QuickQuid had made better checks it would've been apparent that loans 4 and 5 were affordable but loans 6 to 13 weren't affordable. She recommended that QuickQuid refund any interest and charges Mr W paid on loans 6 to 13.

QuickQuid didn't agree with our adjudicator's findings. It thought that most of the lending was reasonable. It did make an offer of just under £300 to settle the complaint. It said this was the outstanding balance that Mr W owed on his final loan. Mr W didn't accept this offer.

After some further correspondence QuickQuid made an offer in line with the adjudicator's recommendations. Mr W also didn't accept this offer. He said that the flex credit agreement, and loans 4 and 5, weren't affordable.

QuickQuid, and the adjudicator, didn't change what they thought about the complaint. So as no agreement's been reached the complaint's been passed to me to issue a decision.

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. Having done so, I've provisionally decided to partially uphold Mr W's complaint. I'll explain why.

QuickQuid was required to lend responsibly. To do this it needed to make checks to see whether Mr W could afford to pay back each loan before it lent to him. There's no set list of what a lender should do to check affordability. But the checks should be proportionate to things like the size of the loan, the repayments, what the lender knows about the consumer and what the consumer tells the lender about their circumstances. This is the same whether the business was regulated by the Office of Fair Trading or the Financial Conduct Authority.

So I've firstly looked at whether QuickQuid performed proportionate checks. If I think that the checks were proportionate then it usually would've been reasonable for QuickQuid to lend. But if QuickQuid didn't do proportionate checks, I've looked at whether it would've been apparent to it that the loan repayments were affordable, had it done better checks. QuickQuid should put things right if the loan repayments were unaffordable.

QuickQuid says that the checks it made were proportionate. It recorded Mr W's income as being £1,100 and £1,560 on the same day in August 2014. And in 2015 it recorded his income as being £1,850. It recorded his outgoings as £925 throughout the time it lent to him. It said it requested a number of reports from credit agencies and calculated from these whether the loans were affordable each time it lent. It's shown us some results from the last credit check information it received. It's also said that Mr W repaid many of his loans early and there was no indication of financial problems until the last loan.

QuickQuid recorded two different incomes just before the first loan. I don't think it was reasonable for it to rely on the higher one without looking into this further. So, as a starting point, QuickQuid should've verified Mr W's income. As far as I can see QuickQuid didn't do this. So I don't think the checks it did were proportionate.

Looking at the bank account information Mr W's provided I can see that he earned just over £1,100 at this time. So I think if QuickQuid had made this additional check I think it's likely Mr W would've confirmed that the lower amount was correct. So I think it's reasonable to say that this is the amount QuickQuid should've used when deciding if these loans were affordable.

For loan 1 Mr W needed to repay around £240. And for loan 2, after the top-up, he needed to repay around £300. I think both of these amounts are a reasonably large proportion of Mr W's income. So for both these loans QuickQuid should've checked if Mr W had enough disposable income to repay them. Mr W declared his outgoings as being £925 at the time.

Mr W's income of £1,100, less his regular declared expenses of £925, left him with a disposable income of £175. Both of the repayments for loans 1 and 2 were more than this. So I don't think Mr W could afford to repay these loans. So I think if QuickQuid had carried out proportionate checks it would've seen this. And I don't think QuickQuid would've lent to him.

After Mr W repaid loan 2 he started the flex credit agreement - loan 3. This had a credit limit of £650 and could be repayable over 10 months. The maximum Mr W would repay, if he borrowed the full amount, would be around £245 in the first month.

As for loans 1 and 2, I think a proportionate check would be to see if Mr W had enough disposable income to repay the loan. QuickQuid should've looked at things like Mr W's income, his normal living costs and any regular financial commitments he may've had.

QuickQuid tells us that it always asked borrowers to confirm their up to date income and expenditure. It says that if the figures remained the same it meant that the borrower simply confirmed that there were no changes. So it seems that Mr W is likely to have confirmed that nothing had changed around his income and outgoings at the point he took loan 3. But given the discrepancy between the two income figures provided before loan 1, I still don't think it was reasonable for QuickQuid to rely on the higher figure without checking.

I haven't seen anything that shows Mr W's income had changed materially since he took loan 1. So I think if QuickQuid had made the checks it should've done it would've been reasonable for it to say that his disposable income was still £175. So I don't think Mr W could afford to repay this loan. I think if QuickQuid had carried out proportionate checks it would've seen this and I don't think QuickQuid would've lent to him.

So I currently think Mr W's complaint about loans 1 to 3 should be upheld.

Going forward, in December 2014, QuickQuid told Mr W that he couldn't draw down from the flex credit after the 1 January 2015 due to a change in regulations. Shortly before this email Mr W had drawn down 7 times using this arrangement up to the maximum he could. He then repaid this but drew down a further 5 times after the email and borrowed up to the maximum again.

I don't think Mr W was managing this account in a reasonable way. I accept that he did repay it in full at the end of February 2015. But Mr W continued to borrow from QuickQuid with only short breaks. Taking all of this into account, I think QuickQuid should've been questioning if Mr W was using short term loans in an unsustainable way.

So when Mr W asked for loan 4 – around five weeks after he'd repaid the flex credit loan - I think a proportionate check would've again involved verifying his income and asking about his normal living costs. But at this point I also think QuickQuid should've found out not only what his regular financial commitments were, but also whether he had any short term credit. And from loan 5 onwards QuickQuid should've made a full review of Mr W's finances to check if any further short term lending was affordable. There are many ways it could've done this, such as by asking for payslips and/or bank statements, to verify the information Mr W was providing.

I don't think QuickQuid did enough. It seems Mr W declared that his income in 2015 was now £1,850. It checked his regular expenditure a number of times and it remained at £925 per month. It looked at his credit file and did credit checks periodically. But I can't see that it asked if Mr W had any short term financial commitments and I can't see that it fully reviewed his finances at any time. So I don't think QuickQuid did proportionate checks for loans 4 to 13.

So I've looked at whether these loans were affordable. It seems Mr W had some savings at around this time we've asked him about those and he's provided statements from his savings account. I can see that in March 2015 Mr W transferred just over £800 into a savings account. He's explained that this was because he wanted to protect his money following a fraudulent transaction on his current account. But he transferred this back over the next few weeks – so that by the end of March 2015 (before he took loan 4) the savings account was empty. He did a similar series of transactions in late May and early June 2015. And again there wasn't anything in his savings account at the point he took loan 5 in July 2015. So Mr W wasn't left with any money in his savings account from which he could repay his loans.

Just before loan 4 Mr W's general living expenses and regular financial commitments were relatively low at around £100 per month. He also had short term lending commitments of just under £300. From what I can see his income was around £1,360. So I think he had a disposable income of around £900.

And before loan 5 Mr W's normal living costs, regular and short term financial commitments were just over £1,150. His income around that time was about £1,700. So Mr W was left with a disposable income of around £550.

Given that the largest scheduled repayments for loans 4 and 5 were around £120 and £180 respectively. I think if QuickQuid had done proportionate checks for these loans then it would've been reasonable for it to say that they were affordable.

So I don't intend to uphold Mr W's complaint about loans 4 and 5.

I think from loan 6 onwards there is clear evidence of financial problems which Quick Quid would've seen had it done proportionate checks. And these mean that Mr W couldn't afford to sustainably repay his short term loans from this point.

Mr W was borrowing significant amounts from other short term lenders. I don't have all the details about the repayment terms for these other loans. But I think it's reasonable to say – looking at the amounts and frequency - that this borrowing would've indicated to QuickQuid that Mr W would have repayment problems in the future – and wouldn't be able to repay his loans in a sustainable way.

And I can see what appear to be on-line gambling transactions over the time he was borrowing from QuickQuid. There is some variation in the amounts he spent and received. But his net gambling expenditure does seem to increase when he borrowed from QuickQuid. There was a corresponding increase in his short term borrowing.

I'll outline below how I think this affected Mr W's financial situation in relation to the loans.

For loan 6 Mr W's normal expenditure and income remained broadly the same as earlier. The maximum repayment for loan 6 was around £373. And Mr W borrowed this in the same month as loan 5. So his living costs above, plus the loan repayment, would leave him with disposable income of around £150.

But I can see that at the time of loan 6, Mr W repaid just over £550 to short term lenders and he also borrowed £800 from other providers. When reviewing his finances, QuickQuid should've seen this. And it would've been reasonable for it to conclude that Mr W was becoming dependent on short term lending and he would struggle to repay his loans.

Going forward this is what happened. Just before loan 7, Mr W had borrowed £1,250 from other short term lenders. And I can see that making the repayment for this loan would leave him with no disposable income.

Mr W had a very low disposable income after taking into account the repayment for loan 8. And at the time of loans 8 and 9 Mr W borrowed £2,400 from other short term lenders. For loans, 9, 10 and 11 Mr W had no disposable income when the loan repayments to QuickQuid are considered.

At the time of loan 12, after taking into account the loan repayment, Mr W did have a disposable income of around £400.

But he'd borrowed £1,400 on a longer term basis a few months earlier (at the time of loan 9). He'd repaid just under £1,650 worth of short term loans with the longer term loan. This had improved his disposable income temporarily. And he'd taken a smaller amount of short term loans at this time.

But at the time of loan 12 (and loan 11) he repaid short term lending of just over £400 and he'd borrowed a further £800 in total. And there is still a significant amount of gambling. So I don't think it's reasonable to say his finances had improved. Mr W was still reliant on short term lending and I don't think he could sustainably repay this.

And for loan 13 Mr W had very little disposable income following the repayment for this loan.

I think QuickQuid would've seen all of this if it had fully reviewed his finances. And it should've realised that his dependence on short term lending meant that he wouldn't be able to sustainably repay his loans. So I think if QuickQuid had carried out proportionate checks it would've seen his poor financial situation and, as a responsible lender, it wouldn't have provided him with any loans from loan 6 onwards.

So I'm also proposing to uphold Mr W's complaint about loans 6 to 13.

putting things right

QuickQuid shouldn't have lent to Mr W from 1 August 2014 to 25 February 2015 and from 31 July 2015 to June 2016 (inclusive). So for loans 1 to 3 and 6 to 13 QuickQuid should:

- Refund any interest and charges applied to those loans.
- 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*.
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