complaint

Mr M complains about the loans he took out with Casheuronet UK LLC trading as QuickQuid. Mr M says that he became reliant on unaffordable loans and he was using other payday lenders to repay them and cover his expenses. He says this spiralled out of control and he had to borrow money from his parents to make the repayments. He thinks QuickQuid should've realised that his debt problems were getting worse and not lent to him.

background

Mr M took out 21 loans with QuickQuid from November 2011 to August 2015. Some of the information QuickQuid has given us about these is shown in the table at the end of this decision. Mr M topped up his loans fairly often and I've labelled these increases by putting an a or b after the loan number.

QuickQuid looked at Mr M's complaint but it didn't uphold it. It said that it didn't lend irresponsibly to Mr M. It said this was because:

- The credit checks showed that Mr M was creditworthy, for example he had no County Court Judgement's or insolvencies.
- The affordability checks showed that many of the loan repayments were minimal or low, that is no more than 50 - 60%, of his disposable income. So the lending was affordable.
- There were some significant breaks, sometimes up to 50 days, throughout the lending relationship.
- The highest repayments from his two flex credit accounts were affordable and there was no indication that he wouldn't be able to repay these loans.
- Mr M's lending pattern also showed that he wasn't reliant on short term lending.

Our adjudicator thought that Mr M's complaint should be partially upheld. She thought that QuickQuid had made proportionate checks for loans 1 to 2. So she thought that its decisions to lend for these loans were reasonable.

She didn't think that QuickQuid had made proportionate checks for loans 3 to 21. She thought if it had then it still would've have agreed to lend Mr M money for loans 3 to 5. This is because she thought that if QuickQuid had made proportionate checks then it would've been reasonable to conclude that Mr M was likely to be able to afford the repayments.

But she thought that QuickQuid wouldn't have agreed to lend Mr M money for loans 6 to 21. This is because she didn't think that Mr M could sustainably afford the repayments. And this would've been apparent to QuickQuid had it completed better checks.

QuickQuid didn't agree for the same reasons that I've outlined above. It also said that our adjudicator hadn't provided a full breakdown Mr M's income and expenditure.

But it accepted that the larger loans that it had approved were likely to be unaffordable. So it offered to refund the interest and charges (plus interest) on loans 10 to 13 and loan 16. I've highlighted these loans in my table. Mr M didn't accept this offer.

As no agreements been reached the complaint's been passed to me.

my 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 decided to partially uphold Mr M's complaint. I'll explain why.

QuickQuid was required to lend responsibly. To do this it needed to make checks to see whether Mr M 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.

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 it 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 it's likely to have then found that the loan repayments were unaffordable.

QuickQuid says that the checks it made were proportionate. It recorded Mr M's income as being £1,500 for all of the lending. It recorded his outgoings as being £650 in total for loans 19, 20 and 21. 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 the results from two of the credit checks it did in April 2015. But QuickQuid says all of the checks showed that Mr M was creditworthy.

Mr M borrowed from QuickQuid for just under a four year period but there were some breaks between the loans. As QuickQuid has said, some of these gaps were around 6 weeks. But most of these breaks were for a few days or weeks. So I don't think it's reasonable to say that any of these gaps were significant, given the circumstances of this lending. So I think all of loans 1 to 21 should be considered as one continuous chain of borrowing.

did QuickQuid do proportionate checks for loans 1 and 2?

The repayment for loan 1 was around £115. Mr M initially borrowed the same amount for loan 2, before he increased loan 2 by a top-up of £100..

QuickQuid looked at Mr M's income for these loans. It also did credit checks and looked at his credit file for both of these loans. I think, that at this stage of the lending relationship, given the size of the loans in relation to his income, these checks were proportionate.

I haven't seen any further information that shows its likely QuickQuid was made aware of any financial problems Mr M might've been having. Or anything that would've prompted it to investigate his circumstances further. So given the information QuickQuid had, I think its decisions to lend for loans 1 and 2 was reasonable and I'm not upholding Mr M's complaint about them.

did QuickQuid do proportionate checks for loans 3 to 21?

The amount Mr M borrowed for loan 3 started out at £100. But he increased this loan by £100 on two occasions. He also borrowed £100 for loan 4 and increased this by the same amount once. So overall, it's fair to say his borrowing was increasing. So I think QuickQuid should've realised that Mr M may be becoming dependent on short term lending rather than using the loans to help with a temporary cash flow problem – given Mr M had made 5 borrowing requests within a two month period.

Because of this I think QuickQuid should've checked if Mr M had enough disposable income to repay loans 3 and 4. Specifically, for loan 3 and the first increase to this loan, it should've found out about things like Mr M's income and his normal living costs and outgoings including any regular financial commitments he may've had. And from the second increase to loan 3, and loan 4, it should also have found out if he had any other short term lending commitments.

And at loan 5 Mr M borrowed £100 again. But he'd now been borrowing from QuickQuid for just less than eight months. And the amounts he had borrowed had increased at times as I mentioned earlier. So QuickQuid should've now become concerned about whether it knew enough about Mr M's true financial situation going forwards.

So for loan 5 onwards QuickQuid should've made a full review of Mr M's financial situation to check if any further short term lending was sustainably repayable. There are many ways it could've done this, such as by asking for payslips and/or bank statements, to verify the information Mr M was providing.

I don't think QuickQuid did these checks. As I've mentioned above, QuickQuid says it carried out credit checks before lending and it says would've asked Mr M to confirm his income. But I can't see that it looked at his outgoings until loan 19. And it didn't fully review his finances, or verify the information he had provided, at all. So I don't think QuickQuid did proportionate checks for loans 3 to 21.

were loans 3 to 5 affordable?

When considering whether the above loans were affordable, I've looked at the information provided by Mr M and QuickQuid about Mr M's financial circumstances to see if Mr M could sustainably repay this lending.

I can see our adjudicator and QuickQuid discussed the information provided. The adjudicator provided a summary of what she'd found out about Mr M's income and expenditure. This was taken from what Mr M said and his bank statements. But I can see that QuickQuid remains unhappy about the level of detail provided about this.

I can confirm that Mr M provided a summary of his income and expenditure. He also provided his bank statements. So I've been able to form a fairly accurate picture of his income and expenditure at the time these loans were given. It's reasonable to provide a summary of the information I've relied on and this is what I've done below. I think I've clearly shown some of the loans aren't affordable and why. I don't think it's necessary or reasonable in this case, to provide Mr M's bank statements or any greater detail than this.

At the time Mr M took out loans 3 and 4 he told QuickQuid that his income was £1,500. This seems to be about right. He's told us that over these loans his normal monthly expenditure, on things such as his rent, food and other bills came to just around £925. His rent was £400, utilities were around £150 and food and transport were around £150. And he had a fairly large number of other smaller household expenditures (for example house insurance) which came to around £225. He had regular credit commitments of around £275; most of this was a repayment of a personal loan. And he's also said that his partner gave him £335 per month for bills and living expenses.

Looking at his banks statements these figures seem broadly correct. All of this gives Mr M a monthly disposable income not far short of £650.

And from the second increase to loan 3 and for loan 4 QuickQuid should've also checked if Mr M had any other short term commitments as well as doing the same checks as before. From what I can see his normal disposable income (taking account of his normal monthly income and outgoings) remained at around £650. But he seems to be borrowing and repaying around £150 on a regular basis to another short term lender. So his disposable income was likely to be less at around £500 per month.

So I think the initial amounts QuickQuid approved for loans 3 and 4, and the first increase to loan 3 look to be affordable for Mr M. But he was due to repay around £360 to QuickQuid for loan 3 after the third increase. So I think the last increase to loan 3 was only just affordable for him. But I think that, on balance, and given this was only his third loan, it would be reasonable for QuickQuid to believe that Mr M had enough disposable income to repay this increase, had it made a proportionate check for this loan.

For loan 5 QuickQuid should've made a full review of Mr M's finances to verify what he was declaring to QuickQuid. And as I've mentioned above, QuickQuid could've verified the information a number of ways but I've used Mr M's bank account statements to see what his financial situation was at the time this loan was approved.

Having done this I can see that Mr M's financial situation it similar to that I've outlined above. Although I can't see that his partner is transferring the £335 that Mr M has referred to. So if QuickQuid had done a proportionate check I think it would've found out that Mr M had a disposable income of around £300. And this is enough to make the repayment he was committed to making for loan 5.

I haven't seen any further information that shows its likely QuickQuid was made aware of any financial problems Mr M might've been having. Or anything that would've prompted it to investigate his circumstances further. Mr M has said that he was using gambling websites and I can see some transactions relating to this on his bank statements. But these amounts weren't taking up taking up a large proportion of Mr M's income at this stage. And taking into account the amount and frequency of the loans he took with QuickQuid I don't think it would be reasonable to say that QuickQuid shouldn't have lent because of this, at this time.

I think it's likely that if QuickQuid had carried out proportionate checks then it would've seen all of the above and reasonably concluded that loans 3, 4 and 5 were affordable for Mr M. So I think its decisions to lend for loans 3 to 5 were reasonable and I'm not upholding Mr M's complaint about them.

were loans 6 to 21 affordable?

In broad terms Mr M's regular income, expenditure and financial commitments remain at similar levels for the remainder of the lending. There were some slight changes in his salary and expenditures which meant that his disposable income was between £150 and £300. But there are other significant changes to Mr M's financial situation that I'll discuss below which make this lending unaffordable.

Looking at Mr M’s bank statements for the time just before loan 6, I can see that his disposable income was still around £300 as it was before loans 3, 4 and 5. And before loan 7 Mr M had a disposable income of around £150, as he seems to be spending slightly more on transport. He was still using other short term lenders but for smaller amounts and infrequently.

The repayment for loan 6 was just under £350 and the repayment for loan 7 was just over £250. And going forward a large proportion of the remaining loans were for larger amounts, some had repayments of over £500. So these loans weren’t affordable based on Mr M’s normal disposable income.

But in the month before loan 6 Mr M spends around £250 on gambling. And in the month before loan 7 Mr M spent over £2,000 on gambling websites. And going forward this situation doesn’t improve. Mr M’s expenditure on gambling remains very high. Before loan 14 he spends over £1,600, before loan 17 he spends over £2,500 and before loan 19 he spends over £3,000.

There were some winnings but these didn’t cover his overall losses. There were few months where he won just less than his spending and I’ve seen one month where he Mr M won around £200 more than he spent. But other than this his overall losses ranged from £250 to over £1,000 each month.

And towards the end of the borrowing from QuickQuid Mr M is borrowing from other short term lenders. I can see that at the time he took loans 19, 20 and 21, he owed over £500 to another short term lender. This continues until he stops borrowing from QuickQuid.

With this level, and type, of expenditure there is little prospect of Mr M being able to sustainably repay his short term lending from QuickQuid. He would need to borrow again either to make ends meet or repay his existing commitments. He has said that he borrowed from friends and family to over the time he borrowed from QuickQuid.

QuickQuid has said that much of the lending was low in comparison to Mr M’s income. Taken at face value this is the case. But it doesn’t follow that Mr M could afford to sustainably repay his lending. To find out if this is the case QuickQuid needed to do proportionate checks which it didn’t do.

I’ve noted that the loans 14 and 17 are different products from the payday loans that Mr M started with. But the highest minimum repayments for these were over £300 and I don’t think this would’ve been affordable for Mr M given what I’ve outlined above about his income and spending. And it’s worth noting that during the course of loan 17 Mr M regularly borrowed and repaid very large amounts. On occasion he would borrow £900 and repay around £1,000 a few months later.

QuickQuid has said that Mr M’s lending pattern didn’t indicate that he was dependent on short term loans. This is because there were some breaks in the lending. But the records it’s supplied to us show that it lent to Mr M for almost four years in total. It lent around £17,000 and Mr M repaid over £20,000 to it. This amount of borrowing for this length of time, even with some short breaks, suggests to me that Mr M was dependent on short term lending.

Because of all the factors above I think if QuickQuid had made proportionate checks it would’ve seen that Mr M couldn’t sustainably repay loans 6 to 21 and it wouldn’t have lend to him.

putting things right

QuickQuid shouldn't have lent to Mr M between September 2012 and August 2015 (inclusive). So for loans 6 to 21 on my table 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 M's credit file in relation to those loans

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

my final decision

For the reasons I've explained, I partly uphold Mr M'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 am required to ask Mr M to accept or reject my decision before 21 July 2018.

Andy Burlinson
ombudsman

loan number	start date	amount borrowed	end date
1	19/11/2011	£100	26/01/2012
2	13/03/2012	£100	
2a	16/03/2012	£100	27/03/2012
3	01/04/2012	£100	
3a	04/04/2012	£100	
3b	12/04/2012	£100	27/04/2012
4	16/06/2012	£100	
4a	18/06/2012	£100	27/06/2012
5	17/08/2012	£100	01/09/2012
6	04/09/2012	£300	26/10/2012
7	09/12/2012	£200	21/12/2012
8	03/01/2013	£100	
8a	13/01/2013	£100	25/01/2013
9	01/02/2013	£100	27/02/2013
10	**02/03/2013**	**£300**	
10a	**17/03/2013**	**£200**	**27/03/2013**
11	**08/04/2013**	**£400**	
11a	**15/04/2013**	**£200**	**26/04/2013**
12	**06/05/2013**	**£500**	
12a	**16/05/2013**	**£100**	**24/05/2013**
13	**04/06/2013**	**£100**	**27/06/2013**
14	05/07/2013	Flex credit. £950 limit, £306 maximum repayment. 10 month term.	20/09/2013
15	16/10/2013	£150	25/10/2013
16	**29/10/2013**	**£150**	
16a	**10/11/2013**	**£500**	**27/11/2013**
17	07/12/2013	Flex credit. £950 limit, £347 maximum repayment. 10 month term.	23/01/2015
18	01/02/2015	£250	
18a	14/02/2015	£400	27/03/2015
19	20/04/2015	£300	27/05/2015
20	01/06/2015	£500	27/07/2015
21	20/08/2015	£250	
21a	21/08/2015	£150	25/09/2015