

complaint

Mr T complains that CashEuroNet UK LLC (trading as QuickQuid) gave him loans that he couldn't afford to repay.

background

The background to this complaint was set out in the provisional decision that I issued in January 2018. An extract from that is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to uphold the complaint. I invited both parties to let me have any further comments and evidence. Mr T has confirmed he has nothing more to add. QuickQuid provided us with some comments.

QuickQuid has said that our adjudicator had failed to mention that Mr T was gambling when she provided her assessment on the complaint. It also points out that our adjudicator thought that Mr T could afford the repayments on his final FlexCredit loan. QuickQuid says that it couldn't have been aware that Mr T was gambling and so it isn't something it could have taken into account when considering his complaint.

my findings

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

At the start of my provisional decision I noted that although I was reaching the same overall conclusion as our adjudicator, my reasoning was different. And that was why I was issuing a provisional decision. The main difference in my reasoning was precisely that our adjudicator hadn't taken sufficient account of Mr T's gambling expenditure.

I appreciate that QuickQuid says it wasn't aware of Mr T's gambling expenditure. But I think it is something it *should* have been aware of. It was information that it would have seen if it had done what I consider to be proportionate checks. As an example of the scale of the problem, in the month that Mr T was given the FlexCredit loan (June 2013) he spent over £4,000 on gambling transactions. So it is clear to me that Mr T couldn't afford even the minimum repayments on his FlexCredit loan.

Therefore I remain of the opinion that if QuickQuid had done sufficient checks it would have seen that Mr T couldn't afford to repay any of the loans that he was given. So QuickQuid needs to pay him some compensation.

putting things right

I don't currently think QuickQuid should have agreed to give Mr T any of the loans I'm considering in this decision (loan 2 onwards), including loan 16 the FlexCredit loan. So for each of those loans CashEuroNet should;

- Refund any interest and charges paid by Mr T on the 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 T's credit file in relation to the loans.

*HM Revenue & Customs requires CashEuroNet to take off tax from this interest. CashEuroNet must give Mr T a certificate showing how much tax it's taken off if he asks for one.

my final decision

My final decision is that I uphold Mr T's complaint and direct CashEuroNet UK LLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 5 April 2018.

Paul Reilly
ombudsman

EXTRACT FROM PROVISIONAL DECISION

complaint

Mr T complains that CashEuroNet UK LLC (trading as QuickQuid) gave him loans that he couldn't afford to repay.

background

Mr T borrowed 16 times from QuickQuid between April 2010 and June 2013. His first 15 loans were payday loans repayable in one or two payments. Some of his loans were not repaid as originally agreed – Mr T rolled them over by paying some additional interest. And Mr T took additional borrowing – a top up – on three of his loans. Mr T's final loan was a FlexCredit loan – an open ended credit account that allowed him to borrow up to an agreed credit limit and repay his borrowing over around ten months. All of Mr T's borrowing from QuickQuid has been fully repaid. A summary of his borrowing is shown as an appendix to this decision.

When Mr T first complained to QuickQuid it said that his complaint about his first loan had been made too late. So Mr T has decided to not take his complaint about that loan any further. So in this decision I will only deal with the remaining 15 loans – although I will of course take account of the first loan when looking at Mr T's relationship with QuickQuid.

Mr T's complaint has been assessed by one of our adjudicators. She didn't think QuickQuid had done enough checks before any of the loans being complained about. And she thought that better checks would have led to QuickQuid not lending to Mr T. So she asked QuickQuid to pay Mr T some compensation.

In response QuickQuid agreed it shouldn't have given Mr T loans 5 to 15. And it pointed out the Mr T hadn't paid any interest on loan 3. But it didn't think it had been wrong to give loans 2 to 4 or the FlexCredit loan (loan 16) to Mr T. It offered to pay compensation for loans 5 to 15. Mr T didn't accept that offer so the complaint has been passed to me, an ombudsman, 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. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr T could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr T was borrowing, and his lending history, but there was no set list of checks QuickQuid had to do.

The guidance in place at the time was clear about the responsibility of the lender to take reasonable steps to ensure that a borrower could *sustainably* repay their loans. The Office of Fair Trading (OFT) Irresponsible Lending Guidance states *"Assessing affordability is a borrower-focussed test which involves a creditor assessing a borrower's ability to undertake a specific credit commitment, or specific additional credit commitment, in a sustainable manner, without the borrower incurring (further) financial difficulties."*

The guidance goes on to say that repaying credit in a sustainable manner means being able to repay credit *"out of income and/or available savings"* and without *"undue difficulty."* And it defines *"undue difficulty"* as being able to repay credit *"while also meeting other debt repayments and normal/reasonable outgoings"* and *"without having to borrow further to meet these repayments"*.

Even though Mr T managed to repay his loans in full it doesn't automatically mean the loans were affordable for him or that he managed to repay them in a sustainable manner. In other words I can't assume that because Mr T managed to repay his loans it means that he was able to do so out of his normal income without having to borrow further.

QuickQuid has told us about the checks it did before lending to Mr T. It asked him, before each loan, to confirm his normal monthly income. Mr T said his income was £1,500. And QuickQuid checked Mr T's credit file before five of the loans. Although I've not seen the full results of those checks I'm not aware of anything on Mr T's credit file that I think would have caused any additional concerns to QuickQuid.

Mr T hadn't been able to repay his first loan as planned – he needed to defer his repayments for a couple of months. So when he asked for a much higher amount on his second loan I think QuickQuid should have been concerned about his ability to sustainably afford the loan. So I think it should have gathered far more information about Mr T's financial situation, including things like his normal expenditure and any other debt repayments (both long and short term) that he was making.

Mr T also had to defer repayment of his second loan. So although the amount he asked to borrow on his third loan was much less, I think a similar level of checks would have been appropriate for that loan too. And I think the same applies for his fourth loan. I think by now QuickQuid should have been becoming concerned that Mr T was borrowing regularly and that he might be becoming dependent on short term lending.

Mr T repaid his fourth loan early. But within a few days he asked for another, much larger, loan. This was by far the largest loan he'd taken from QuickQuid. And the amount he needed to repay was over 70% of the income he'd declared to the lender. So I think by now QuickQuid should have realised that it could no longer rely solely on the information provided by Mr T. I think it should have taken steps to independently verify the true state of Mr T's finances.

And I think this type of check should have continued over the rest of the loans that Mr T took from QuickQuid. Although there were a couple of loans that were smaller, the frequency of Mr T's borrowing increased. And most of the amounts he needed to repay were a significant proportion of the income he'd declared to QuickQuid.

I have considered that there was a gap of almost a year between Mr T repaying loan 14 and him borrowing loan 15. But the amount he asked to borrow on loan 15 would have required him to repay over half his declared income. So I don't think that should have given QuickQuid any confidence that a lower level of checks would be proportionate.

But although I don't think the checks QuickQuid did on any of the loans were sufficient, that in itself doesn't mean that Mr T's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown QuickQuid that Mr T couldn't sustainably afford the loans. So I've looked at Mr T's bank statements, and what he's told us about his financial situation, to see what better checks would have shown QuickQuid.

I think, for loans 2 to 4 it was reasonable for QuickQuid to rely on the information Mr T provided about his income. But as I said earlier it needed to gather some more information about his expenditure. Looking at Mr T's bank statements I can see that he wasn't borrowing, at that time, from any other short term lenders. But his normal expenditure was such that he had no disposable income left over. He wasn't therefore able to afford to repay any of these loans in a sustainable manner.

From loan 5 onwards I think QuickQuid should have independently verified Mr T's financial position. If it had done so it would have seen that his total income was actually a little bit higher than he'd declared because he also received some tax credits and housing benefit payments. But his normal expenditure, including some loan repayments to a family member was such that, even taking into account the additional income, Mr T didn't have enough money left over to afford his loan repayments. And that situation became markedly worse from loan 10 onwards where it appears that Mr T began to gamble increasingly heavily as time went on.

If QuickQuid had done what I consider to be proportionate checks I think it would have seen that Mr T couldn't sustainably afford to repay any of the loans it gave him. And so, as a responsible lender, it would have declined these applications. So I think that QuickQuid needs to pay Mr T some compensation.

Appendix - Summary of Mr T's borrowing from QuickQuid

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	07/04/2010	01/09/2010	£ 350
2	13/10/2010	11/02/2011	£ 500
3	21/02/2011	18/03/2011	£ 50
4	06/04/2011	12/04/2011	£ 150
5	21/04/2011	11/05/2011	£ 900
6	23/05/2011	13/06/2011	£ 1,100
7	21/06/2011	13/07/2011	£ 1,100
8	20/07/2011	23/07/2011	£ 1,100
9	29/08/2011	16/10/2011	£ 50
10	01/12/2011	16/12/2011	£ 300
11	21/12/2011	28/12/2011	£ 800
12	06/01/2012	12/01/2012	£ 300
13	28/01/2012	11/02/2012	£ 1,100
14	24/02/2012	13/03/2012	£ 700
15	15/02/2013	13/03/2013	£ 650
16	16/06/2013	02/12/2014	£ 1,100