

complaint

Miss F complains that CashEuroNet UK LLC (trading as QuickQuid) lent her money that she could never afford to repay.

background

In October 2013, Miss F applied for a Flex loan with QuickQuid. QuickQuid checked Miss F's income and credit report and agreed to the loan with a £400 credit limit. This meant that Miss F could borrow up to £400 as long as she repaid it, and the required interest, within ten months.

Miss F borrowed the full £400 on 23 October 2013 which she repaid, in full, including interest, the following month. She then borrowed the £400 again on 20 November 2013 and repaid half of it, plus interest, in December 2013. Later that month, Miss F borrowed the remaining £200, but this time she was late making January's payment, although she repaid everything she owed on 17 February 2014.

On 20 February 2014, Miss F again borrowed the full £400, but, after repaying half of it, plus interest on 17 March 2014, she applied for an increased credit limit. QuickQuid found Miss F's income had increased slightly and, following further credit checks, agreed to increase her credit limit to £1,000. Miss F immediately borrowed the remaining £800, but repaid it all on 16 May 2014.

Then, on 20 May 2014, Miss F requested a further increase in her credit limit and borrowed £1,200. However, Miss F made no payments towards this loan and a default notice was issued in June 2014. In August 2014 Miss F told QuickQuid she was in financial difficulties and was setting up a debt management plan with a debt charity. QuickQuid charged no further interest on the loan from October 2014.

Our adjudicator recommended the complaint should be upheld. He found that QuickQuid had carried out proportional checks at the time it approved the original £400 credit limit, but considered it should have looked into Miss F's expenditure when she requested the increase. He said that, had it done so, QuickQuid would have found the increased limit to be unaffordable. He recommended all interest and charges should be refunded from March 2014 onwards.

QuickQuid responded to say, in summary, that Miss F's negative disposable income was due to discretionary spend (gambling) and did not show she couldn't afford essential expenditure. It clarified that Miss F's ability to pay was based on having ten months in which to repay the loan.

my findings

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

QuickQuid was required to lend responsibly. It should have made checks to make sure Miss F could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss F was borrowing, and her lending history. But there was no set list of checks QuickQuid had to do.

Much like the adjudicator, I'm satisfied QuickQuid carried out proportional checks when it agreed to Miss F's initial £400 limit in October 2013. I've seen the credit agreement for this and I can see the highest minimum repayment that was required over the ten-month period was £128. I consider this to be affordable given Miss F's monthly income was £1,250 at the time. So I don't find it unreasonable that QuickQuid carried out no further checks.

QuickQuid hasn't been able to provide the equivalent minimum repayment schedule for the £1,000 credit limit it agreed in March 2014, but I can see Miss F made the minimum repayment in April 2014. As this was over £300, and this is a significant proportion of Miss F's monthly income at that time (£1,541), I consider QuickQuid should have looked into Miss F's other expenditure before agreeing to the increased limit. Had it asked Miss F about her expenditure, including other loans, it would have found that Miss F's expenditure considerably exceeded her income. I accept that QuickQuid says gambling is not an essential outgoing, but, even taking that into account, I find the increased credit limit to be unaffordable, especially given Miss F's other short-term loan commitments.

So, as I don't think QuickQuid should have approved the increased credit limit, it follows that I find it should refund all the interest and charges it applied to Miss F's account from March 2014 onwards.

my final decision

My decision is that I uphold this complaint. CashEuroNet UK LLC (trading as QuickQuid) should:

- Refund all interest and charges that Miss F paid from March 2014 onwards;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement;
- Remove any negative information about the Flex loan, from March 2014 onwards, from Miss F's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 11 May 2017.

Amanda Williams
ombudsman