

## **complaint**

Mr P has complained about nine payday loans and one flex-credit loan he took out with Casheuronet UK LLC (trading as Quick Quid). Mr P took out his loans from March 2011 to April 2014 when his flex-credit loan was taken out.

Mr P has said the loans were unaffordable for him and so Quick Quid shouldn't have lent them to him.

## **background**

I attach my provisional decision of 21 December 2016, which forms part of this final decision. In my provisional decision I set out why I planned to uphold this complaint from loans two to ten. I asked both Mr P and Quick Quid to provide any further comments and any new evidence before I made my final decision.

In response Quick Quid made an offer on a small number of the loans in dispute. Mr P didn't accept Quick Quid's offer. Quick Quid has also made a number of points to explain why it didn't agree in full with my provisional decision. And Quick Quid has agreed to remove the additional credit searches it completed from Mr P's credit file.

## **my findings**

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I am still upholding this complaint in relation to loans two to ten (as set out in my provisional decision.) But I would like to comment on some of the points Quick Quid made in response to my decision.

In response Quick Quid has made a number of arguments around gaps in lending. As explained in my provisional decision, I've addressed any impact this may have had on the extent of proportionate checks that Quick Quid needed to complete. And I've explained why I still don't think that Quick Quid preformed proportionate checks. Quick Quid has also highlighted that these gaps show his circumstances had started to stabilise. But as Quick Quid is aware consumers often use several short term lenders, as indeed I can see Mr P did during this period. And in the individual circumstances of his complaint, I can't see that Mr P's finances had stabilised at any point during the period of lending to make any of loans two to ten affordable.

On the one hand Quick Quid has made arguments about the percentage the principal loan was in comparison to Mr P's monthly income. It's argued that this demonstrates that a number of the loans in question were affordable. But Quick Quid has also argued that only the interest should be considered in determining if Mr P could've afforded this lending. These two points appear to contradict and I'm not persuaded by either argument. As Quick Quid is aware the relevant rules and regulations required it to complete proportionate checks to establish whether a consumer was able to repay what's owed when it falls due. In Mr P's case, when looking at his payday loans, he was required to repay the principal loan and interest in one payment. So in determining whether the loans were affordable for Mr P, Quick Quid needed to consider both the principal loan and the interest charged.

And when completing proportionate checks one factor Quick Quid may have wanted to consider was what the total repayment amount was in comparison to Mr P's net monthly income. But this is a starting point and I don't agree with Quick Quid's arguments that on

some of the loans in question this definitely shows Mr P could've afforded this lending. As it doesn't take into consideration other expenditure and credit commitments Mr P had. And for the reasons I've explained in my provisional decision, I think that Quick Quid needed to do more to determine if Mr P could've afforded any of the loans in question. I've also explained that if Quick Quid had completed proportionate checks, I think it would've seen that Mr P couldn't have afforded these loans. Quick Quid has also said other lending didn't make Mr P ineligible for loans with it. Whilst this may have been the case, it does impact on his ability to take on and be able to afford additional lending.

I note that Quick Quid has said that Mr P could've updated his income and expenditure each time he applied for new lending. Quick Quid has argued that by not amending this Mr P was confirming his income hadn't changed. Putting to one side the concerns I raised about some of the accuracy of the information Quick Quid has provided, it was only reasonable for Quick Quid to rely on this information if it didn't have reasons to question it.

I've noted that throughout the period of lending (which spanned over three years) Quick Quid hasn't recorded any change in income. And it wasn't until April 2013 that Quick Quid recorded expenditure of £0.00. Quick Quid hasn't provided any other details of expenditure taken during the time it lent to Mr P. So whilst Quick Quid may have used the most recent information provided, I think it had reason to question this information throughout a large portion of the time period it was lending to Mr P.

Quick Quid has argued that "Mr P cannot be completely absolved from his gambling habits. He would have had more disposable income available minus the gambling that he took part in." Whilst this may have been the case, Quick Quid still had a responsibility to complete proportionate checks in order to determine if Mr P could've afforded these loans. And for the reasons explained in my provisional decision I don't think Quick Quid did this. And if it had, I think Quick Quid would've seen that Mr P couldn't have afforded this lending.

Finally Quick Quid has highlighted the difference between a flex credit agreement and a payday loan. In particular it's argued that the repayments were lower so this would've made it more affordable. But as I've explained in my provisional decision I still don't think it was affordable for Mr P. By this time Quick Quid had already lent Mr P multiple payday loans over a period of years. And looking at the loan Mr P took out immediately before his flex credit loan, he rolled this loan over multiple times and in total he took around six months to repay it. So I don't think that by the time of the flex credit loan, Mr P had capacity to take on this additional lending. And as explained, I think that if Quick Quid had completed proportionate checks it would've seen this.

### **fair compensation**

To put things right for Mr P, Quick Quid should:

- refund all interest and charges that Mr P has paid on loans two to ten;
- waive any outstanding interest and charges;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement†;
- due to the individual circumstances of this complaint, remove any information recorded on Mr B's credit file in relation to loans two to ten. And the additional searches completed in December 2015 and when Mr P made his complaint in May 2016 should also be removed.

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

### **my final decision**

For the reasons explained, I uphold Mr P's complaint against Casheuronet UK LLC. And I direct it to put things right for Mr P in the way I've described above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr P to accept or reject my decision before 27 February 2017.

Claire White  
**ombudsman**

## provisional decision

### background

Mr P took out an earlier loan with Quick Quid which isn't being considered in this decision. And so as explained in the table below, I've referred to his subsequent loans as loans one to ten.

Looking at the ten loans which are in dispute, our adjudicator felt that the checks Quick Quid completed for loan one were proportionate. But from loan two onwards (taken in May 2011) he didn't think that Quick Quid had performed sufficient and proportionate checks. And he thought that had Quick Quid carried out proportionate and sufficient checks it would've seen that from loan four onwards Mr P couldn't have afforded these loans. So the adjudicator upheld Mr P's complaint from loan four to loan ten.

Mr P agreed with our adjudicator's findings. Quick Quid disagreed, but did make an offer in relation to loan nine (Mr P's final payday loan) which Mr P has rejected. So the case has been referred to me for a final decision.

I will briefly set out the details of Mr P's loans which are in dispute:

loan number	date	principal	Total (inc. interest)*
1	Mar-11	£350	£428.75
2	May-11	£400	£475
3	Jun-11	£400	£490
4	Aug-11	£500	£612.50
5	Jun-12	£500	£612.50
6	Aug-12	£100	£122.50
7	Sep-12	£250	£303.12
8	Jun-13	£600	£727.50
9	Jul-13	£800	£970
10 - Flex loan	Apr-14	£800 (maximum drawdown)	

\*these figures reflect any 'interest discounts' applied at the time the lending was agreed.

### my provisional findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having carefully thought about everything I've been provided with, I'm currently planning to partially uphold Mr P's complaint from loan two onwards. I'd like to explain why below.

When lending money to a consumer Quick Quid is required to ensure a consumer can repay the borrowing in a sustainable manner without it adversely impacting on their financial situation. A lender should obtain sufficient information to make an informed decision about the lending. Exactly what the lender should think about is for each individual lender to decide. The guidance and rules lists a number of things each lender may wish to think about. Any checks need be proportionate, based on things such as how much is being borrowed, the total amount to be repaid and when what's owed is due.

*the checks Quick Quid completed*

Quick Quid has said it completed credit checks before agreeing each loan, but it is unable to provide the results of these. I can also see that prior to the initial lending Quick Quid took details of Mr P's net income in March 2011 which was recorded as £1,273 per month.

Quick Quid has also provided what appear to be details of the information Mr P provided during his loan applications. This states he was employed throughout with the same employer. But from looking at his account statements, Mr P wasn't employed by the employer listed throughout the lending applications until around May 2013. So I'm conscious that this may not be reflective of the information Mr P provided in his earlier applications. Finally Quick Quid has said it also considered Mr P's previous loan repayments before agreeing further lending.

*were the checks Quick Quid performed proportionate?*

*loan one*

I've thought carefully about the checks Quick Quid have completed before agreeing loan one, including that it seems unlikely Mr P's credit search at this time would've revealed anything concerning. But I've also considered the size of the loan and that the total repayment amount would've made up over a third of Mr P's net monthly income. And so given this, I might've expected Quick Quid to have made more enquires into his regular monthly outgoings, together with asking Mr P about other short term credit commitments he may have had. So I think Quick Quid needed to do more to determine if Mr P could've repaid this loan in a sustainable way.

*loan two, three and four*

Before Mr P took out loan two he'd previously rolled over loan one and incurred a late payment fee. Loan two was also a slightly higher than loan one and the total amount to be repaid made up a significant proportion of his stated net monthly income. So taking these factors into consideration, I think Quick Quid needed to do more to check if Mr P could've afforded to repay this loan when it fell due.

Loan three was taken out around a week after loan two was repaid and I think that by this point this could've suggested to Quick Quid that Mr P was beginning to build up a pattern of short term lending. And shortly after Mr P repaid loan three he took out loan four. Loan three was for the same amount as loan two and so again made up a significant amount of his stated monthly income. And loan four was for a higher amount and the total repayment equalled almost half of his net monthly income. So I also don't think Quick Quid did enough to check if Mr P could've afforded to repay loans three or four when they fell due.

*loans five to seven*

Quick Quid has highlighted that there were some gaps between Mr P's lending and has said that this suggests he wasn't dependant on short term lending. I have noted that loan five was taken out almost a year after loan four. But I've also considered that Mr P only repaid loan four in full in April 2012. This was because he rolled over loan four multiple times and also incurred several late payment fees. So I don't agree that the checks Quick Quid completed before agreeing loan five were proportionate.

Loan five was also rolled over and he was charged late fees twice. And after Mr P repaid loan five he took out loan six just under a week later. Mr P then went on to take out loan seven in the next month. I've considered that loans six and seven are for lower amounts when compared to his earlier lending. But in the context of his previous lending with Quick Quid, I still think it needed to do more to check if Mr P could've repaid these loans in an affordable way, without it adversely impacting on his overall financial situation.

#### *loans eight to ten*

Loan eight was taken out around four and a half months after loan seven was repaid. Whilst this was a small gap in lending, in the context of his overall lending I think Quick Quid needed to perform additional checks before agreeing this loan. From the information Quick Quid has provided it seems that Mr P's net monthly income was still recorded as £1,273 which was what it recorded in March 2011. By the time Quick Quid agreed loan eight this was over two years later. But even if this was reflective of his net monthly income at time he took out loan eight, the total repayment amount would've made up over half of his net monthly income. And the total repayment for loan nine, which was taken just over two weeks after loan eight was repaid, would've made over three quarters of his net monthly income. Mr P then entered a repayment plan for loan nine and around a month and a half later Quick Quid agreed a flex credit loan with a credit limit of £800. So again I feel that more checks were needed before agreeing these loans.

#### *what I think proportionate and sufficient checks would most likely have shown*

I now need to consider if Quick Quid had completed proportionate checks, what these would've likely shown. I should say that I can't know what proportionate checks would've revealed as I don't think Quick Quid completed them. But what I do need to think about is what sort of levels of checks were needed to be proportionate at the time of the lending for Quick Quid to satisfy itself that this lending was affordable for Mr P. And what I think these checks would've been likely to reveal.

#### *loan one*

Looking firstly at loan one, I think that even if Quick Quid had completed proportionate checks, such as enquires into his regular monthly outgoings, together with asking Mr P about other short term credit commitments he may have had, I don't think were likely to have shown that Mr P couldn't have afforded this loan. The level of checks that were reasonable (in proportion to agreeing to lend loan one) were unlikely to reveal the full extent of Mr P's circumstances or anything that would've been concerning and might've caused Quick Quid to ask further questions. And at this stage what I need to consider is not whether or not Mr P could've actually afforded to repay the lending. But whether its likely that the proportionate checks Quick Quid should've completed would have revealed information to suggest Mr P couldn't have afforded this lending. And I don't think they would have done. So I currently don't intend to uphold loan one.

*loan two onwards*

As I've explained above, I don't think that if Quick Quid had completed proportionate checks before agreeing loan one that these checks would've uncovered anything concerning. But I think that by loan two Quick Quid needed to do more to determine if Mr P could've afforded these loans. This is because at this time he was borrowing his second loan just over a week after he'd repaid loan one. He also rolled over loan one rather than repaying it by the date which was initially agreed and he had incurred late fees on loan one.

Mr P has provided us with evidence of his financial circumstances at the time he applied for his loans with Quick Quid. And so from this I've been able to get a picture of what his financial circumstances were like. I accept that this isn't perfect as different checks show different things. And as I've explained above, just because something shows up in the information Mr P has provided, it doesn't mean that it would've shown up in any checks that Quick Quid might've carried out. But the information Mr P has provided is the best indication I have of what his financial circumstances were like at the time he applied for the loans. And in the absence of anything else, I think it's reasonable to rely on it.

Having looked at the time period in question it seems Mr P was regularly spending large amounts of money on gambling each month. He also had debt with other lenders which increased over the period of his lending with Quick Quid. And by 2013 this also included other short-term lenders. Mr P also appears to be in receipt of Job Seekers Allowance during some of the time he was taking out loans with Quick Quid. I've taken into account the varying amounts of lending including the two lower loans and the small gaps in lending. But having looked into Mr P's circumstances at the time of taking these loans, I don't think he could've afforded to repay them when they fell due and without adversely affecting his overall financial circumstances. I appreciate that loan ten was a flex-credit loan, but in the context of Mr P's overall lending I think that if Quick Quid had performed proportionate checks, it would've stopped lending to Mr P well in advance of loan ten. And I've seen nothing to suggest his circumstances had improved by the time of this loan. In fact shortly before loan ten was agreed Mr P had entered a repayment plan on loan nine and loan nine had only been repaid around a month and a half earlier. And in the month prior to loan ten being agreed Mr P made payments to around four other high-cost short term lenders.

And so, given the circumstances of this case, I think that Quick Quid failed to carry out proportionate checks before lending Mr P loan two onwards. And I think that Mr P has lost out as a result of this.

*additional credit searches*

Mr P has also said he's unhappy that Quick Quid completed two additional credit searches when he raised his complaint in May 2016. And I've not seen anything to suggest it was reasonable for Quick Quid to complete these searches, particularly as Mr P had repaid any outstanding lending by this time. So I also think, together with the fair compensation detailed below, that Quick Quid should remove these entries from Mr P's credit file.

I can also see Quick Quid completed two other searches after Mr P had repaid his loans with Quick Quid in December 2015. This is in addition to the two checks completed on the day he made his complaint in May 2016. I've also not seen anything to explain why these credit searches took place. So unless Quick Quid can provide a reasonable explanation, I think that Quick Quid should also remove these two searches.