complaint

Miss F has complained about several loans granted to her by CashEuroNet UK LLC trading as Quick Quid ("Quick Quid"). She's said Quick Quid encouraged her to borrow more than she could afford, which resulted in her needing to borrow regularly to repay previous loans.

background

I issued my provisional decision in July 2017, a copy of which is attached and forms part of this final decision. In my provisional decision I explained why I was intending to partially uphold Miss F's complaint. I asked everyone to send me any further comments and information before I reached a final decision.

Neither Quick Quid nor Miss F said they had anything they wanted to add. And the deadline to do so has now passed, so I'm issuing my final decision.

my findings

I've re-considered all the evidence and arguments already sent to us to decide what's fair and reasonable. And I've reached the same conclusions I reached in my provisional decision, for the same reasons.

what Quick Quid should do to put things right

In my provisional decision I noted Miss F had been in an IVA. She's since provided further information about her entry into the IVA, and when it was completed. Based on this, I'm going to leave it for Miss F to speak with the former supervisor of the IVA to see whether – and how – the terms of the IVA might affect any payment she might receive should she accept this decision.

Quick Quid should:

- refund all interest and charges for loans 5 to 42 (including any late fees and default interest).
- pay interest on this refund at 8% simple* per year from the dates of payment to the dates of settlement.
- remove any adverse information about these loan from Miss F's credit file.

*HM Revenue & Customs requires Quick Quid to take off tax from this interest. Quick Quid must give Miss F a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons I've explained above and in my provisional decision I uphold Miss F's complaint in part. 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 Miss F to accept or reject my decision before 14 September 2017.

Adam Golding
ombudsman

extract of provisional decision

background

Quick Quid says it agreed 41 loans for Miss F during the period January 2010 to April 2013 – followed by a "Flex Credit Loan" (open ended credit) in June 2013. Quick Quid doesn't consent to us looking at the first three loans as it says Miss F made her complaint too late. Miss F said she no longer wanted to complain about those loans. She wanted to continue her complaint about loans 4 to 42. A table, showing some of the information Quick Quid's provided about the loans, can be found in the appendix.

Our adjudicator said that Quick Quid didn't carry out proportionate affordability checks for any of the loans. He said Quick Quid didn't appear to have taken information about Miss F's income and expenditure until after all of her borrowing with it. So he looked into Miss F's financial circumstances at the time of the loans. Based on that he said the only loan that was affordable for Miss F was loan 7. So he recommended that Quick Quid should refund the interest and charges on loans 4 to 6 and loans 8 to 42, to put things right.

Quick Quid disagreed with our adjudicator's assessment. It said it asked Miss F about her income and carried out credit checks before each loan. It said that prior to 2014 it wasn't required to ask about Miss F's expenditure, but that it did so when it was required to. It said Miss F's repayment history indicated that the loans were affordable as she managed to repay them all, incurring only one late fee which she cleared the same day. But in an attempt to resolve the complaint, it made an offer to refund the interest and charges on loans 14 to 36. Miss F didn't accept the offer, so the complaint has been passed to me.

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 have also taken into account the law, any relevant regulatory rules and good industry practice at the time.

As Miss F no longer wants to complain about the first three loans, I haven't considered whether or not Quick Quid was wrong to approve them. But I have considered the fact that Miss F took these loans when looking at her borrowing history and wider financial circumstances.

Based on what I've seen, I'm currently intending to uphold Miss F's complaint in part. I don't think Quick Quid was wrong to approve loan 4. But I think it was wrong to approve each of the following loans, including the "Flex Credit Loan". I'll explain why.

At the time of lending, Quick Quid was regulated by the Office of Fair Trading ("OFT"). The OFT required businesses to lend responsibly, which means Quick Quid needed to check that Miss F could afford to repay her loans sustainably. The guidance states that "*creditors should take reasonable steps to assess borrower's likely ability to be able to meet repayments under the credit agreement in a sustainable manner"*. It also states that *"this is likely to involve more than solely assessing the likelihood of the borrower being able to repay the credit in question"*.

The guidance also states that meeting repayments in a sustainable manner means repaying credit out of existing income and/or savings while also meeting other debt repayments and normal outgoings. And it also lists examples of sources of information to assess affordability – these include: record of previous dealings with the borrower, evidence of income, evidence of expenditure, a credit score, a credit report from a credit reference agency and information obtained from the borrower.

When Miss F took out each loan, Quick Quid says it asked about her income, which she gave as £1,600. Quick Quid didn't originally provide a record of Miss F's income figure. It explained that Miss F would've been asked to enter her income before borrowing each loan. It said that if she didn't, it would assume the previous figure it had recorded for her income was still accurate, which is why our adjudicator thought it hadn't asked for her income before each loan. But Quick Quid's explanation is in line with what I know about the way its application process worked. And it's now provided a record of Miss F's stated income dating back to 2010.

Miss F took out loan 4 around three months after repaying loan 3. Loan 4 was for £150 and her maximum repayment would've been for a fairly small proportion of her stated income – around £180. But as this was her fourth loan in a fairly short space of time, I think it would've been proportionate for Quick Quid to carry out further affordability checks before agreeing to lend, such as by asking Miss F about her regular monthly expenses.

From what I've seen of Miss F's circumstances when she took this loan, her regular outgoings, which included payments towards her rent, car, food, phone insurance and a debt management plan, amounted to around £1,300. At this stage I think it was still reasonable for Quick Quid to rely on the figure Miss F gave for her income – £1,600 – without needing to verify it. Based on this, if Quick Quid had carried out proportionate checks, I think it would have concluded that Miss F could afford to repay this loan. So I don't think Quick Quid was wrong to approve it.

Miss F took out loan 5 around ten days after repaying loan 4. This loan was for a significantly larger amount – £400 – which meant her maximum repayment was also higher – £480. And by this stage I think her borrowing was starting to indicate that she might be becoming dependent on short term credit. I say this because Quick Quid's own website at the time said, *"Payday advances should be used for short-term financial needs only, not as a long-term financial solution*", and she'd now taken five loans in 12 months.

Based on this, I think it would've been proportionate for Quick Quid to build a full picture of Miss F's financial situation before agreeing to lend again. It could've done this a number of ways, such as by asking for a payslip and/or bank statements to verify her regular income and expenses, including any other short term lending commitments she might've had.

I've had a look at Miss F's circumstances at the time of this loan. From what I've seen Miss F's regular income and expenses were still broadly the same as they were when she took the earlier loans. But she also had several other short term loans outstanding, and she would regularly spend most of her income on online gambling. Miss F's regular income did later increase to around £2,600 in 2011, and some months it was a high as £3,500. But from what I've seen, Miss F continued to spend most of her income on gambling and short term credit. And this didn't change throughout the period of her borrowing.

For example, in April 2011 she spent around £2,800 on online gambling and around £1,100 on short term credit. In August 2011 she spent around £3,300 on gambling and around £2,300 on short term credit. In April 2012 she spent around £2,000 on gambling and around £2,200 on short term credit. And in April 2013 she spent around £1,400 on gambling and around £1,300 on short term credit.

So, taking Miss F's regular outgoings of around £1,300, alongside her short term lending and her regular gambling, she wouldn't have been able to afford the repayments on loan 5, or any of the subsequent loans in a sustainable manner. So, if Quick Quid had carried out proportionate checks, I think it would've discovered this. And as a responsible lender, I don't think it would've approved this loan or any that followed.

I've considered what Quick Quid said about Miss F's payment history indicating that the loans were affordable. But as I've already mentioned, the guidance says it's the lenders responsibility to ensure that the borrower can afford to repay in a sustainable manner. That Miss F managed to repay her loans successfully doesn't automatically mean she managed to do so sustainably.

I think Quick Quid had enough information to see that Miss F was becoming reliant on its loans reasonably early on. Yet it continued to lend without carrying out proportionate affordability checks. And if it had carried out proportionate checks, it would've discovered that Miss F wasn't able to meet her repayments, for loans 5 to 42, in a sustainable manner.

In summary, I've only looked at whether Quick Quid was wrong to lend loans 4 to 42. I think Quick Quid should've carried out further checks for each of the loans it provided. And if it had, I think it would've concluded that loan 4 was affordable for Miss F. But that none of the subsequent loans were. So I think Quick Quid was wrong to approve loans 5 to 42.

It follows that I think Miss F has lost out because of what Quick Quid did wrong.