

complaint

Mr R complains that CashEuroNet UK LLC (trading as Quick Quid) gave him unaffordable payday loans and a flex credit loan. He wants a refund of the charges he paid.

background

Mr R had two payday loans and one flex credit loan from Quick Quid in 2013 and 2014. He said he was borrowing again after repaying previous loans. He said this and proper checks would have shown that he couldn't afford these loans. Quick Quid said it had relied on Mr R providing accurate information and its checks showed that he could afford his loans.

our adjudicator's view

Our adjudicator recommended that the complaint should be upheld in part. He thought Quick Quid hadn't made sufficient affordability checks for any of the loans as its credit check would likely have shown a recent default. But he thought that if Quick Quid had made sufficient checks it would have found that Mr R could afford the two payday loans and the initial flex credit limit.

But he thought the pattern of Mr R's borrowing should have alerted Quick Quid to make further checks in May 2014 to check that he wasn't experiencing financial difficulties. He thought these checks would have found that Mr R couldn't repay his account within the 10 month agreement.

Quick Quid replied that Mr R had a good repayment history. Mr R replied that he was borrowing again immediately he'd repaid previous drawdowns and Quick Quid should have made further checks when his credit limit was increased.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr R and to Quick Quid on 22 June 2017. I summarise my findings:

Mr R first borrowed £150 and repaid £194.25. He took out and repaid loan two for £150 the following month. Four days later in October 2013, Mr R was approved for a flex credit loan with a credit limit of £300. This was increased to £400 within the month, to £450 in April 2014 and to £550 in December 2014. He had multiple sequential drawdowns against the account over 14 months. Mr R stayed largely within his agreed credit limits. But he was unable to repay the final drawdown and a balance remains outstanding.

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

Quick Quid checked Mr R's credit file twice, but I couldn't see what this found. It asked Mr R for his income for his first loan and then six months into the flex credit agreement. He said this was £1,700 a month after tax for loan one and £2,100 in April 2014.

I thought Quick Quid's affordability checks were proportionate and sufficient for Mr R's two payday loans. These looked small in comparison to his stated income. The adjudicator

thought a recent default would have shown on the credit check carried out. But I couldn't safely say that this would be so as it was only recorded two months before loan one. So I couldn't say that this should have led to further checks or that it was wrong for Quick Quid to approve these two loans.

When Mr R asked for a flex credit agreement, his credit limit was set at £300. Mr R treated the agreement like payday loans. He borrowed a sum and repaid it each month. The amount borrowed each month increased with his credit limits. When his credit limit was £300 in October 2013, his repayment was £348.35 and this increased to £481.81 for the £400 limit in the same month and £551.80 for £450 in April 2014.

But I couldn't see that Quick Quid made any further checks before agreeing these credit limits. I would expect that it should have asked Mr R about things like his normal outgoings and his credit commitments, both regular and short-term, to make sure he could afford the £300 and £400 limits. And when Mr R increased his limit to £450, he had been using the facility for six months and borrowing continuously from Quick Quid for ten months. So I would expect Quick Quid to then look in detail at his finances to check that he wasn't dependent on short-term loans.

I looked at Mr R's bank statements from the time to get information about his finances, but Quick Quid could easily have asked Mr R for it. These showed that when Mr R was approved for the £300 limit, his income was £1,700 and his outgoings were under £1,300 a month. I couldn't see that he had any other credit commitments. I thought if Quick Quid had made sufficient affordability checks in October 2013, it would have seen that Mr R could afford these credit limits. So I couldn't say it was wrong to agree these.

But Quick Quid didn't ask sufficient questions, as it agreed it should have, when Mr R's credit limit increased again to £450 in April 2014. If it had asked sufficient questions, it would have found that Mr R was reliant on its loans to support his gambling. And so I thought it would have been irresponsible for it to approve any further loans. So I thought it was wrong for Quick Quid to agree the increased credit limit in April 2014. And I thought it shouldn't have allowed Mr R any further drawdowns from this point onwards.

This is where I differed from the adjudicator's view, as he thought it had been wrong for Quick Quid to allow further drawdowns from the end of May 2014.

Subject to any further representations by Mr R or Quick Quid, my provisional decision was to uphold this complaint in part.

Quick Quid replied that it couldn't have known about Mr R's gambling. It said he had a good repayment record until the last credit limit increase. It thought its affordability checks had been appropriate. It had no reason to question the information Mr R provided. Mr R replied that he had nothing further to add.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I appreciate Quick Quid's point that Mr R would be unlikely to divulge his gambling or share his bank statements which would show this. But I still think that it should have asked further questions before agreeing the credit limits for the flex credit loan. And I still think it should

have made full enquiries into Mr R's finances when this increased to £450 after six months. Mr R may not have agreed to provide his bank statements, but this itself should have prompted concern about the lending.

I also think that it's reasonable for Quick Quid to rely on the accuracy of information provided by Mr R about his finances, unless it has reason for concern. But I think there were reasons for concern in the pattern and frequency of Mr R's borrowing. I can't see that Quick Quid made any further checks before approving the flex credit loan, as it should have. It could, for example, have verified Mr R's income and it should have asked him about his outgoings.

So the representations haven't caused me to change my provisional decision.

my final decision

My final decision is that I uphold this complaint in part. I require CashEuroNet UK LLC (trading as Quick Quid) to do the following:

1. Refund Mr R the interest and charges he paid on his loans from 1 April 2014 onwards, adding interest at 8% simple per annum from the date of payment to the date of settlement. This refund should be offset against the principal outstanding for Mr R's last drawdown and the rest paid to him.
2. HM Revenue & Customs requires Quick Quid to withhold income tax from that interest. It must give Mr R a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to this loan from Mr R's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 August 2017.

Phillip Berechree
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