

complaint

Miss C complains that CashEuroNet UK LLC (trading as QuickQuid and Pounds to Pocket) gave her loans that she couldn't afford to repay.

background

Miss C was given 2 instalment loans by Pounds to Pocket and 5 instalment loans by QuickQuid between October 2014 and July 2017.

Miss C's complaint has been assessed by one of our adjudicators. She thought that the checks done by QuickQuid and Pounds to Pocket for all of these loans were not enough. She thought better checks would have shown Pounds to Pocket that the second loan was unaffordable for Miss C. She also thought that if QuickQuid had done better checks it wouldn't have given any of the loans to Miss C. So she asked the business to pay some compensation to Miss C.

CashEuroNet doesn't agree with that assessment. So, as the case hasn't been resolved informally it has been passed to me, an ombudsman, to decide.

my 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.

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

CashEuroNet has shown us the checks that it did before lending to Miss C. CashEuroNet asked for Miss C's income before giving him the loans and it also says it did a credit check before some of the loans. I've not seen the full results of those credit checks so I'm not sure what the business would have seen. It also set out in detail the affordability assessment it carried out for all loans taken out after May 2015 which included analysis of an estimated disposable income. It said that Miss C's loans were well within the affordable range.

I agree with the adjudicator that none of the checks carried out by the business went far enough. For the first instalment loan which was repayable over 7 instalments I think that Pounds to Pocket should have gathered details of Miss C's regular monthly outgoings to make sure she could afford the repayments over the life of the loan. Had Pounds to Pocket done these checks I think it would still have concluded that the loan was affordable for Miss C given her monthly expenses at the time.

Miss C asked for her second Pounds to Pocket loan around two months after her first one was repaid. Pounds to Pocket recorded her expenses as £625 and her income as £1200 at the point of taking out the loan. I think that given Miss C needed to pay nearly £400 in one instalment the business should have checked whether Miss C had any other short term lending outstanding. Looking at Miss C's bank statements I can see that she had other short term lending that was taken out before the Pounds to Pocket loan and needed to be repaid in the same month as the first instalment. I think if the business had asked about other short term lending it would've seen that Miss C couldn't afford this loan and wouldn't have lent to her.

At the point of the first loan with Quick Quid I consider that the business should have done more checking. Miss C asked for a loan of £400 only days after repaying her loan with Pounds to Pocket. She needed to repay around £430. I agree with the adjudicator that at the point of this loan and for all further borrowing, QuickQuid should have gathered a more detailed view of Miss C's finances including asking her for details of her normal expenditure, and any outstanding loans that she was repaying including short term credit. I think QuickQuid should have taken steps to verify what Miss C was saying about her finances, given her borrowing pattern, by looking at her bank statements or asking for other proof of her income and outgoings.

I have looked at Miss C's bank statements for these loans to see what QuickQuid would've seen if it had asked and I agree with the adjudicator that if QuickQuid had asked these questions and looked at evidence of Miss C's financial situation it would not have made these loans as Miss C's disposable income was not enough to afford the repayments given her other short term lending and her significant gambling.

Miss C's income was broadly what she had declared to QuickQuid but her short term lending and other financial commitments meant that she had no disposable income to meet the repayments. It is clear that she was using short-term credit to cover essential expenses and was borrowing from one lender to pay off another as well as gambling and taking out loans from family.

The pattern of short term borrowing coupled with gambling is evident on a review of Miss C's bank statements. If CashEuroNet had done proportionate checking it would have seen the difficulties Miss C was in and as a responsible lender it would not have given her the loans.

So overall I think that what I consider to be proportionate checks would have shown CashEuroNet that Miss C couldn't sustainably afford to repay the 5 QuickQuid loans or the second Pounds to Pocket instalment loan. So CashEuroNet needs to pay Miss C some compensation.

putting things right

So CashEuroNet should;

- Refund any interest and charges applied to QuickQuid loans 1 to 5 and the second Pounds to Pocket loan.
- 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 Miss C's credit file in relation to the refunded loans.

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

my final decision

My final decision is that I uphold Miss C'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 Miss C to accept or reject my decision before 4 August 2018.

Emma Boothroyd
ombudsman