

complaint

Mr F complains about the short term loans he took out with CashEuroNet UK LLC trading as QuickQuid. Mr F says that he rolled over the loans many times and he also increased the amount he borrowed. This was because he couldn't properly afford the repayments. He thinks QuickQuid should've noticed this and not lent to him.

background

Mr F took out 14 loans between April 2009 and November 2013. Some of the information QuickQuid has given us is shown in the table below:

loan number	date started	amount borrowed	number of repayments	date ended
1	14/04/2009	£200	2	30/06/2009
2	25/08/2009	£300	2	05/11/2009
3	24/11/2009	£300	2	19/03/2009
4	30/03/2010	£300	1	03/09/2010
5	03/09/2010	£400	2	29/10/2010
6	29/10/2010	£500	2	21/04/2011
7	25/04/2011	£500	2	30/09/2011
8	07/08/2011	£950	2	20/03/2012
9	20/03/2012	£950	2	23/11/2012
10	01/12/2012	£950	2	15/03/2013
11	27/04/2013	£350	1	10/05/2013
12	20/05/2013	£500	1	07/06/2013
13	24/07/2013	£600	3	25/10/2013
14	05/11/2013	£950 loan. 11 month term. £291 highest repayment		10/03/2017

QuickQuid looked at Mr F's initial complaint and said that it should be partially upheld. It said that it did appropriate checks for loans 1 to 14. And these checks showed that the lending was affordable. However it thought that it was clear Mr F was dependent on short term lending by loan 10. So it offered to refund the interest and charges, plus interest, applied to this loan to settle the complaint. Mr F didn't accept this offer and brought his complaint to the Financial Ombudsman Service.

QuickQuid didn't think that the Financial Ombudsman Service should look at loans 1 to 8 as it thought Mr F had made his complaint about these loans too late. After some correspondence Mr F withdrew his complaint about these loans. So I'll only look at loans 9 to 14 in this decision.

One of our adjudicators looked at what Mr F and QuickQuid said. She thought Mr F's complaint should be partially upheld. She didn't think that QuickQuid had made proportionate checks for loans 9 to 14. She thought if it had then it wouldn't have agreed to lend Mr F money at these times. This is because she didn't think that Mr F could afford the repayments. And QuickQuid would've seen this had it completed better checks. She agreed with QuickQuid's offer to settle loan 10.

QuickQuid didn't agree with our adjudicator. It said that:

- it did proportionate checks for before approving all of the loans; and
- Mr F's gambling wasn't relevant as it wouldn't be a matter of public record and the loan repayments would take precedence over it

But after some further correspondence it agreed that it lent irresponsibly for loans 9 to 14. It offered to refund all the fees and charges on loans 9 to 13 and some of the fees and charges applied to loan 14 (from May 2014 onwards).

Mr F didn't accept this offer; he thought he should receive compensation for all of loan 14. So as no agreement's been reached the complaint's been passed to me to me to issue a decision.

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.

Having done so, I've decided to partially uphold Mr F's complaint. Having reviewed the evidence I have available I think QuickQuid was wrong to have given Mr F loans 9 to 14. I'll explain why.

QuickQuid has made an offer to settle loans 9 to 13. It has also made a partial offer to settle loan 14. QuickQuid has agreed that it should've recognised that Mr F was in financial difficulty and that his pattern of lending shows that he may've been dependent on short term lending. So the only remaining disagreement is whether all of loan 14 should be upheld. I've only looked at this issue in my decision.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing in a sustainable manner. A lender should gather enough information for it to be able to make an informed decision on the lending. The lending shouldn't adversely impact a consumer's financial situation.

The guidance and rules themselves didn't set out compulsory checks. But they are clear that any checks needed to be proportionate and could take into account a number of different things. This could include how much was being lent, the size of the repayments and what the lender found out about the consumer.

By loan 14 I think that it would've been proportionate to find out about Mr F's normal monthly living costs and financial commitments including any existing short-term lending. And I think that QuickQuid needed to verify this information to get an accurate picture of Mr F's finances. This is to make sure Mr F was in position to make the repayments sustainably.

I don't think QuickQuid did this. I've seen no persuasive evidence that it reviewed Mr F's situation in full. And it agrees that it didn't do enough before approving loans 9 to 14. So I need to think about what QuickQuid would've seen if it had carried out proportionate checks.

Mr F has provided some information about his financial circumstances such as his bank statements. I accept that this isn't exactly what QuickQuid would've seen at the time. But I think it would've found out similar information if it had made proportionate checks, so I think it's reasonable to rely on it.

This shows that Mr F earned around £2,000 in the months before QuickQuid approved loan 14. His regular expenditure was around £1,500.

But Mr F was in significant financial difficulty. In the months before loan 14, Mr F borrowed and repaid large amounts to other payday lenders. Sometimes this was over £1,000. So he was already spending more than his disposable income, before he needed to make the repayments to QuickQuid.

And I think proportionate checks would've also shown QuickQuid that a substantial portion of Mr F's income was going on gambling. I think that if QuickQuid had seen this, it wouldn't have thought it was responsible to lend to Mr F because of this.

And QuickQuid agrees that Mr F was dependent on short term lending. I note loan 14 is a flex credit arrangement which is different from the payday loans that came before it. But Mr F had been borrowing significant amounts from QuickQuid for over 4 years at this point. I don't see how this further loan isn't evidence of a continuing dependency on short term credit.

I think that QuickQuid would've found out this information if it had made proportionate checks. And I think QuickQuid would've seen Mr F wouldn't have been able repay the loans in a sustainable way. I think that QuickQuid shouldn't have given loans 9 to 14 to Mr F and I think he's lost out as a result of this. So I think Mr F should be paid compensation in respect of loans 9 to 14.

what QuickQuid should do to put things right

To put things right for Mr F, QuickQuid should:

- update and pay the offer it has made to refund all interest and charges in respect of loan 9 to 13; and
- refund all the interest and charges applied as a result of loan 14; and
- add interest at 8% per year simple on the above interest and charges from the date they were paid, if they were, to the date of settlement[†]; and
- remove any adverse information recorded on Mr F's credit file about these loans;

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

my final decision

For the reasons I've explained, I partly uphold Mr F's complaint.

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 Mr F to accept or reject my decision before 28 February 2019.

Andy Burlinson
ombudsman