

complaint

Mr C has complained about two payday loans and one flex account he took out with CashEuroNet UK LLC (trading as Quick Quid) between February 2012 and April 2014. He says that the Quick Quid loans weren't affordable and so it shouldn't have lent to him.

background

Although Mr C only took out three loans, Mr C borrowed 14 times from Quick Quid. Mr C's borrowing history is as follows;

Loan number	Loan amount	Received date	Repayment date
1	£250.00	26/02/2012	02/07/2012
	£100.00	27/04/2012	
2	£600.00	12/04/2013	30/10/2013
3 (flex account)	£350.00	09/04/2014	04/10/2014
	£200.00	11/04/2014	
	£150.00	13/04/2014	
	£150.00	16/04/2014	
	£100.00	19/04/2014	
	£237.00	02/05/2014	
	£190.00	09/06/2014	
	£90.00	03/07/2014	
	£50.00	13/08/2014	
	£130.50	01/09/2014	
	£100.00	30/09/2014	

Mr C appears to have had some problems repaying his first payday loan because it was extended on two occasions before he repaid it. Mr C also had some problems repaying his second loan and was only able to do so once Quick Quid had agreed a pre-default repayment plan.

Mr C was then granted a flex account, this is a type of loan where a customer is able to draw down up to a set limit, make repayments and then if they wish they can draw more funds again up to their limit. Within a couple of days of opening the account Mr C had borrowed up the maximum withdrawal limit.

An adjudicator looked at the complaint and recommended it should be partially upheld. He felt that given the size of the monthly repayment that the checks carried out on loan one were proportionate.

However, for loan two and the flex account the adjudicator didn't think the checks were proportionate. He didn't think the checks out by Quick Quid were proportionate due to the size of the borrowing compared to Mr C's income and that Mr C had taken out loans with Quick Quid's sister company.

The adjudicator looked at Mr C's bank statements at around the time of the second loan and while he acknowledged there was some disposable income the majority of this was spent on gambling – which he felt could've been picked up by more thorough checks.

Mr C agreed with the recommendation but Quick Quid didn't. It says that there is a difference between its payday and flex account products. It also says that the checks carried out were proportionate and it hadn't seen anything to suggest Mr C couldn't repay his loans, or that he was spending money on gambling.

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 carefully thought about everything I've been given and I'm partly upholding Mr C's complaint and I'll explain below in more detail.

Mr C has also asked me to consider whether Quick Quid should pay him compensation for the distress and upset which has been caused. He's asked for compensation because he had to borrow from family to repay the loans and they are now asking for these loans to be repaid, which he is struggling to do.

I've thought very carefully about what Mr C has told me but having done so I don't think I can ask Quick Quid to make a payment. I say this because while I've no doubt this has been a stressful time for Mr C but there are a number of factors that have led him to have to borrow money from his family. So while I know this will come as a disappointment to Mr C, I don't think in this instance, I'm able to make an award.

Mr C has also asked me to consider the amount of time it would've taken Quick Quid to put things right because he feels it is dragging the issue to delay having to make a refund. Although I understand Mr C wants this matter resolved quickly, I've not seen anything to make me think Quick Quid is deliberately trying to drag the process out.

Turning to the loans, Quick Quid had to gather enough information to be able to make an informed choice as to whether it was going to lend. But the guidance and rules don't set out what checks must be done before lending is approved. But Quick Quid needed to conduct enough checks to make sure each loan was affordable. And these checks needed to be proportionate to a number of things such as the size of the loan and when the loan was due to be repaid.

But even if the checks Quick Quid carried out weren't proportionate, that alone doesn't mean Mr C's complaint should be upheld. I say this because, it's possible, that had further checks been carried out by Quick Quid they would've shown Mr C was able to repay his loan so Quick Quid wouldn't have been wrong to lend him the money.

Quick Quid says that it would've conducted affordability checks. Which take into account a number of different factors including repayment history, current financial commitments and other third party reports. Quick Quid has further explained that it conducted credit searches, but I can't be sure of exactly what it searched and what it saw as a result of those searches.

Looking at the first loan, Mr C initially borrowed £250 and then borrowed another £100. Quick Quid says that it carried out a credit reference check and an affordability check. I don't know what Quick Quid saw when it did those checks. But given the total repayment Mr C had to make compared to his income, I think Quick Quid ought to have considered whether the checks it was doing were proportionate – and whether it should've asked Mr C some further questions about his outgoings.

I can't say for sure what the proportionate checks would've shown. So I've used Mr C's bank statements – which may not have shown up everything Quick Quid would've seen. But the bank statements are the best indication of Mr C's ability to repay the loans at the time, so I don't think it's unreasonable to rely on these.

I've looked at Mr C's bank statements from around the time to understand what his regular monthly living costs and other outgoings were. Having done so, I think had Quick Quid asked some further questions it still would've lent to Mr C because proportionate check would've suggested he had enough disposable income to be able to meet his loan repayments.

For loan two, it appears Quick Quid carried out affordability checks, but didn't do a credit search. But, this payday loan was taken out while Mr C was still repaying an instalment loan with Quick Quid's sister company. In addition, the total amount Mr C would need to repay was around half of his monthly income and because Mr C had some problems repaying his first payday loan, I think Quick Quid should've considered whether asking for his income and doing a credit check was proportionate. But I don't think it was given what Quick Quid knew at the time. So I think it would've been proportionate for Quick Quid to have carried out further checks to verify whether Mr C would be able to repay his loan.

Looking at his bank statements, and taking into account his regular commitments as well as his short term lending liabilities, Mr C had enough disposable income to meet his repayment. But, Mr C was spending a significant amount of his income each month on gambling. And I think that had Quick Quid conducted sufficient checks it would've seen this and I don't think had it been aware of this that it would've lent to him.

For the flex account I don't think proportionate checks were carried out. Quick Quid says it conducted affordability and credit reference checks. However, by this point in time Quick Quid would've known that Mr C had problems repaying his previous two payday loans. And shortly before the flex account was opened, Mr C had borrowed a significant sum with an instalment loan from Quick Quid's sister company. And there doesn't appear to have been any attempt to try and understand why Mr C was borrowing more money in such a short space of time. So I think taking all of this into account, Quick Quid should've have considered whether it would be able to make an informed decision about whether to lend to Mr C.

I've considered Mr C's bank statements, and at the time of the loan being granted I can see that Mr C had liabilities to other payday loan companies and was spending a significant amount of his income on gambling – which would've affected his ability to repay the money

he had borrowed. So had Quick Quid undertaken sufficient checks I don't think it would've lent the funds to Mr C.

what Quick Quid should do to put things right

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

- refund all the interest and charges applied to all loans taken from and including 12 April 2013,
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †;
- remove any adverse information recorded on Mr C's credit file because of these loans.

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

my final decision

For the reasons given above, I uphold Mr C's complaint.

CashEuroNet UK LLC should pay Mr C compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 April 2017.

Robert Walker
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