

complaint

Mrs S has complained about short term loans taken with Casheuronet UK LLC (trading as "Quick Quid"). Mrs S says the loans were unaffordable and caused her to spiral into a web of debt.

background

Mrs S took out five loans between May 2012 and July 2013. Her lending history is as follows:

- Loan one taken in May 2012 for £350 – Mrs S deferred repaying this loan on six occasions
- Loan two taken in December 2012 for £750
- Loan three taken in January 2013 for an initial £600 – Mrs S topped up this loan with a further £150 a few days later
- Loan four taken in March 2013 for an initial £450 – Mrs S topped up this loan with a further £300 a few days later. Mrs S missed a payment on this loan before eventually settling it in June 2013
- Flex credit loan taken in July 2013 for £750

One of our adjudicators looked at what Mrs S and Quick Quid said and he thought Mrs S' complaint should be upheld. He thought Quick Quid hadn't done proportionate checks before giving these loans and if these checks had been done Quick Quid would've seen it shouldn't have given them to Mrs S. Quick Quid disagreed. So the case was passed to an ombudsman for a final 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.

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 without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid.

Quick Quid says it asked Mrs S to confirm her income and it also carried out credit checks. And based on what it saw from this it thought it reasonable to lend to Mrs S as a result.

why I don't think Quick Quid's checks were proportionate

I've carefully thought about what Quick Quid has provided and what it has said. But overall given what Mrs S was being expected to commit to, I think it would've been proportionate for Quick Quid to carry out additional checks before giving these loans.

To explain, given the proportion of Mrs S' declared income that was taken up by these loans, I don't think that it was proportionate to rely on this information alone in order to decide whether Mrs S would be able to repay these loans. So I think proportionate checks needed to go further than just asking Mrs S about her income – especially bearing in mind the amount of times she deferred loan one and the number of loans she went on to take afterwards.

I accept there are lots of reasons why a consumer may wish to take out short-term lending. And a consumer taking out more than one short term loan with a lender and then deferring them, doesn't, on its own, mean they won't be able to repay a later one.

But where a lender is aware of such things, I don't think it's unreasonable or disproportionate to expect it to carry out further, more rigorous, enquiries in order to find out whether a consumer is using this type of borrowing for its intended purpose (i.e. as a short-term solution to temporary cash flow problem), rather than as way of supplementing their income.

So having thought about all of this, I think that Quick Quid should've found out more before agreeing to these loans.

what I think proportionate checks would most likely have shown

As I've previously explained, bearing in mind the total amount Mrs S needed to repay in relation to her declared monthly income and her lending history, I think Quick Quid needed to find out more before giving these loans.

At this stage, I think that it would've been proportionate to find out about Mrs S' normal monthly living costs and regular financial commitments (including any existing short-term lending ones) too. And by the time of the later loans, I think that Quick Quid needed to take steps to verify, at least, some of this information too.

Quick Quid didn't do this here. But I still need to think about whether Quick Quid would've seen anything to suggest it shouldn't have given these loans if it had carried out proportionate checks.

Mrs S has provided some information on her financial circumstances. I accept this isn't necessarily what Quick Quid would've seen at the time. But as I haven't been given anything else, I think it's reasonable to rely on it.

Having carefully looked at everything provided, it's clear that Mrs S wasn't in a position to be able to make the payments for these loans in a sustainable way. Mrs S' monthly income was not enough for her to sustain the payments to these loans once her normal living costs and regular financial commitments – including existing short-term loans are taken into account.

I think that proportionate checks would've also shown Quick Quid that a substantial portion of Mrs S' income was going on gambling. And I think that if Quick Quid would've seen this, it wouldn't have lent to Mrs S in these circumstances.

So, given the circumstances of this case, I think that Quick Quid's checks before giving these loans to Mrs S weren't proportionate. And I think she lost out as a result of this.

what Quick Quid should do to put things right

To put things right for Mrs S, Quick Quid should:

- refund all the interest and charges applied to Mrs S' loans; 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†;
- remove any adverse information recorded on Mrs S' credit file as a result of the interest and charges on these loans;

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

my final decision

For the reasons given above, I'm upholding Mrs S' complaint. Casheuronet UK LLC (trading as "Quick Quid") should pay Mrs S compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 24 May 2017.

Jeshen Narayanan
ombudsman