

## complaint

Mr H says CashEuroNet UK LLC, trading as QuickQuid, lent to him irresponsibly.

## background

Mr H had 15 payday loans and one 'FlexCredit' loan facility from QuickQuid between March 2010 and September 2014. His complaint is about the loans he took out from May 2012 (loan 11) onwards – which includes the FlexCredit facility.

An adjudicator considered the complaint and thought it should be upheld. He didn't think QuickQuid was right to have approved any of the loans granted on or after 2 May 2012. QuickQuid didn't agree with the adjudicator, so the complaint was passed to me 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. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

QuickQuid needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr H could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that QuickQuid should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that QuickQuid was required to establish whether Mr H could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is

the case. This is because the OFT defined sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr H's complaint.

By the time of loan 11 Mr H had been borrowing without substantial breaks between loans for about two years. Given how long Mr H had been borrowing for (and the other relevant factors, like the size of the loans and the length of the gaps between them) I've focussed primarily on QuickQuid's lending history with Mr H, with a view to seeing if there was a point at which QuickQuid should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so QuickQuid should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr H's case, I think that this point had been reached by May 2012. I say this because:

- Up to this point Mr H had been taking out new loans within days or weeks of settling a previous one. So QuickQuid ought to have realised it was more likely than not that Mr H was having to borrow regularly to fill a persistent hole in his finances and that his indebtedness was increasing unsustainably.
- Mr H wasn't making any real inroads to the amount he owed QuickQuid. The FlexCredit account (itself a long-term agreement) was taken out around 30 months after Mr H's first loan – and allowed him to borrow more. Mr H had paid large amounts of interest to, in effect, service a debt to QuickQuid over an extended period.

I think that Mr H lost out because QuickQuid continued to provide borrowing from May 2012 onwards because:

- these loans had the effect of unfairly prolonging Mr H's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time.
- the sheer number of loans and deferrals was likely to have had negative implications on Mr H's ability to access mainstream credit and so kept him in the market for these high-cost loans.

I've taken into account QuickQuid's comments when it responded to the adjudicator. The adjudicator noted that Mr H's bank statements demonstrated significant expenditure on gambling and that QuickQuid would've been aware of this had it carried out proportionate checks - so it wouldn't have lent to Mr H. QuickQuid didn't accept it needed to obtain information such as bank statements and didn't think the gambling figures provided were problematic given Mr H's income.

I've placed less weight on proportionate 'pounds and pence' checks – as I've explained above, I don't think this is the key issue. But I agree that a proportionate review of Mr H's expenditure in around May 2012 would've likely revealed both significant expenditure on gambling, as well as frequent use of short-term loans to supplement income. For example in April 2012 Mr H borrows about £2,500 from seven lenders. At this time Mr H declared net monthly income to QuickQuid of £1,540 – although I accept it may have been higher than this. Nonetheless, I agree a proportionate review of Mr H's circumstances would've also brought to QuickQuid's attention that further lending after May 2012 would've been unsustainable or otherwise harmful.

I'm therefore upholding the complaint about the loans granted from May 2012 onwards.

### **putting things right**

QuickQuid should:

- refund the interest and charges Mr H paid from May 2012 onwards
- add to the above interest at 8% simple per year, from when the interest and charges were paid until the date of settlement†
- remove the loans approved from May 2012 onwards from Mr H's credit history (if they still appear)

QuickQuid may deduct any principal amount previously written off from what it owes Mr H.

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

### **my final decision**

I uphold Mr H's complaint. CashEuroNet UK LLC must put things right by taking the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 September 2019.

Matthew Bradford  
**ombudsman**