

complaint

Mr H complains about the loans he took out with Casheuronet UK LLC trading as QuickQuid. He says that he had difficulty meeting the repayments to his loans due to his poor financial situation. And he says the loans made his situation worse. He feels that if Casheuronet had made better checks it would've seen this and not lent to him.

background

Mr H took out 8 loans with QuickQuid from August 2012 - March 2016. Mr H frequently increased his borrowing, I've noted these increases as a, b or c next to the loan number. Some of the information QuickQuid has given about the lending is below.

loan number	start date	amount borrowed	term (days)	end date
1	20/08/2012	£300	46	05/10/2012
2	17/10/2012	£200	44	25/01/2013
2a	22/11/2012	£250		
3	25/01/2013	£300	84	28/05/2013
3a	07/02/2013	£150		
4	31/05/2013	£400	70	21/02/2014
5	27/02/2014	Flex credit with £350 credit limit. 10 month term. Highest repayment of £134.37.		26/05/2015
6	29/05/2015	£150	42	26/10/2015
6a	30/05/2015	£50		
7	29/10/2015	£100	28	30/01/2016
8	02/03/2016	£150	85	28/02/2017
8a	07/03/2016	£125		
8b	15/03/2016	£150		
8c	16/03/2016	£125		

- Mr H was scheduled to repay loan 7 over 1 month, loans 1, 2 and 6 over two months and loans 3, 4 and 8 over 3 months.
- Mr H had significant problems repaying his lending. I can see that QuickQuid issued default sum notices for missed repayments in respect of loans 2 to 8.

QuickQuid has looked at Mr H's complaint and has not upheld it. It said that its checks showed that he was creditworthy and he could afford the loan repayments. It didn't think he was dependent on the lending and there were significant gaps between some of the loans. So it didn't think that it lent irresponsibly.

However, when QuickQuid provided its file to the Financial Ombudsman Service it said that a pattern of dependency was evident at loan 4. So it felt that it shouldn't have approved this loan. It offered to refund the interest and charges Mr H paid for this lending – plus interest – and remove any adverse information from his credit file about this loan. Mr H didn't accept this offer.

Our adjudicator thought that Mr H's complaint should be upheld. She agreed with the offer QuickQuid had made on loan 4. She didn't think that QuickQuid had made proportionate checks for any of the lending. She thought if it had then it wouldn't have agreed to lend Mr H money for loans 1 to 3 and 5 to 8. This is because she didn't think that Mr H could afford the repayments. And this would've been apparent to QuickQuid had it completed better checks.

Mr H agreed with our adjudicator.

QuickQuid didn't agree with our adjudicator. It made a number of points, including;

- it conducted appropriate and proportionate assessments including collecting and validating Mr H's income
- the adjudicator had not provided full details about the term and repayment amounts of some credit commitments
- some of Mr H's expenses were unnecessary such as extra TV channels
- the checks it made were in line with the Financial Conduct Authorities (FCA) handbook and so they were proportionate. The regulations do not say disposable income should be assessed

As no agreement was reached the complaint's been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I've decided to uphold Mr H's complaint. I'll explain why.

QuickQuid has made an offer to repay the fees and charges Mr H paid towards loan 4, (plus interest). I agree this offer is in line with what I'd expect if I were to uphold Mr H's complaint about loan 4 and so I won't fully consider this lending below. But I have thought about this loan as part of Mr H's overall circumstances.

QuickQuid was required to lend responsibly. To do this it needed to make checks to see whether Mr H could afford to pay back each loan before it lent to him. There's no set list of what a lender should do to check affordability. But the checks should be proportionate to things like the size of the loan, the repayments, what the lender knows about the consumer and what the consumer tells the lender about their circumstances.

So I've firstly looked at whether QuickQuid performed proportionate checks. If I think that the checks were proportionate then it usually would've been reasonable for it to lend. But if QuickQuid didn't do proportionate checks I've looked at whether it would've been apparent to it that the loan repayments were affordable had it done better checks. QuickQuid should put things right if it's likely to have then found that the loan repayments were unaffordable.

Mr H borrowed from QuickQuid with usually very little break between the loans. The gaps were for a few days to around two weeks mostly. There is a gap of just over a month between loans 7 and 8. But Mr H had been borrowing from QuickQuid for around three and a half years at this time. So I don't think it's reasonable to say that any of these breaks are significant. I think all of loans 1 to 8 should be considered to be one continuous chain of borrowing

QuickQuid says that the checks it made were proportionate. It recorded Mr H's monthly income as being £1,075 for all of the lending. It recorded his outgoings as being £375 each month from loan 6 onwards. It says that all of the lending was a low proportion of Mr H's income, or disposable income, when it recorded his outgoings.

QuickQuid says it performed credit checks each time it lent. It's provided the details of the checks it ran in August 2012. It says that these checks showed that Mr H was creditworthy. And they showed no indication of financial hardship or excessive use of credit.

It's also said that whilst Mr H's repayment history was poor his bank statements show he usually did have enough funds in his bank account to make the repayments. And these also showed he was only gambling excessively between May and November 2013.

were the checks proportionate?

For loan 1 Mr H borrowed £300 and the highest repayment he would make was just over £350 in the second month. And for loan 2, after the top-up, Mr H was due to repay over £550 to QuickQuid. So Mr H had quickly got to the point where he would be repaying around half of his declared monthly income to QuickQuid – in order to cover his loan repayments

Knowing that a substantial amount of Mr H's income was going towards repaying his loans I think QuickQuid needed to make some enquires with Mr H about what his normal living costs and outgoings including any regular financial commitments and other short term lending he may've had.

And going forward the maximum amount that Mr H would pay to loan 3 was over £550. And he had been late making the repayments for loan 2. QuickQuid wrote to Mr H saying he had defaulted on this loan.

So I think I think QuickQuid could've realised at loan 3 that Mr H may be in financial difficulties rather than using the loans to help with a temporary cash flow problem – the intended purpose of short-term loans. And QuickQuid should've become concerned about whether it knew enough about Mr H's true financial situation. Given the repayment problems he had.

So for loan 3 onwards QuickQuid should've made a full review of Mr H's finances to check if Mr H could sustainably repay any further short term lending. There are many ways it could've done this, such as by asking for payslips and/or bank statements, to verify the information Mr H was providing.

I don't think QuickQuid did this. The information its provided shows that it did credit checks before lending and it says would've asked Mr H to confirm his income. But I can't see that it looked at his outgoings until loan 6. And it didn't fully review Mr H's finances or verify the information he was providing at any point.

I've thought about what QuickQuid has said about making checks in 2015 that it says were in line with the regulators requirements. But I still don't think QuickQuid did enough here. This is particularly as by this point Mr H had already defaulted on 4 loans and the test should be customer focussed. So there were clear signs that Mr H was finding it difficult to sustainably repay this lending. QuickQuid should've done more to found out why this was and I don't think it did.

So I don't think QuickQuid did proportionate checks for any of the lending.

what would QuickQuid have seen had it made proportionate checks?

So I've looked at the information provided by Mr H and QuickQuid about his financial circumstances at the time these loans were approved. This includes his bank statements and what both Mr H and QuickQuid have said.

Having reviewed Mr H's bank statements, I've been able to form a fairly accurate picture of his income and expenditure at the time the later loans were approved. I understand that QuickQuid has seen most of the bank statements as they were provided to it by Mr H. So it's reasonable to provide a summary of the information I've relied on and this is what I've done below. I think I've clearly shown that the lending isn't affordable and why. But I haven't provided full detail about Mr H's income and expenditure as all parties to the complaint have this information.

Just before taking loans 1 and 2 Mr H declared his income to be £1,075 per month. He's said that his normal monthly expenditure was just under £700 this was mostly comprised of his rent at £200, food at just over £300 and transport of just over £100. And I think it's likely he would've declared this to QuickQuid if it had asked. This gives him a disposable income of around £375 per month.

And looking at Mr H's bank statement I can see that he started to use other short term lenders before he took loan 2. In the month before this loan he repaid just under £200 to other lenders and he had just under £400 to repay in the coming months.

So Mr H would be left with very little income disposable income after making the highest repayment of around £350 to loan 1. And his existing commitments were greater than his income before making the highest scheduled repayment of around £550 to loan 2. So I don't think QuickQuid would've reasonably concluded that Mr H could afford to make the repayments to loans 1 and 2 if it had done better checks.

Mr H's financial situation doesn't improve going forward. As I've said above, after loan 3 QuickQuid should've been verifying the information it had recorded about Mr H. Had it done this it would've seen that his income was actually around £800 when he was approved for loans 3 and 5. So he had very little left over after his regular expenditure. And Mr H was still using other short term lenders. It looks like he owed over £650 to other lenders before loan 3 and around £125 before loan 5. And as QuickQuid has said it was over these loans (and loan 4) that Mr H's gambling expenditure was at its highest.

The highest repayment Mr H was due to make for loan 3 was over £500. And the highest potential repayment for the flex credit arrangement (loan 5) was just under £150. So I don't think Mr H could afford to make these repayments.

Mr H's financial situation does change slightly over the remaining lending. His income seems to increase to around £1,200 per month. But I understand his living arrangements had also changed as he had moved in with his partner. So his living costs increased and his arrangements for paying his bills also changed. For the remaining loans Mr H transfers money to his partner to pay their bills. He transfers around £1,000 each month. So this gives him a disposable income of around £200 each month.

And the repayment's Mr H was committed to making for the remaining loans were always over £100. Most of the repayments were near, or above, £200. And from the bank statements I can still see that Mr H was still using other short term lenders at times and, as he's said, he was still gambling. So I don't think Mr H could afford to sustainably repay loans 6 to 8.

As I mentioned earlier Mr H had problems repaying loans 2 to 8. He missed payments on all of these and QuickQuid issued default sum notices, sometimes more than one, for these loans. I don't think this was due to a 'timing mismatch' between when his wages were paid and when the loan payments were due. Instead, what I think this shows is that Mr H had problems meeting the loan repayments over a protracted period of time – and this is something that Quick Quid was aware of. And as a responsible lender it should have made better checks to find out why this was and not simply approved further lending. And I've explained above, why had better checks been carried out, QuickQuid shouldn't have given Mr H any of his loans.

QuickQuid has said that some of Mr H's expenditures were '*discretionary*' and I shouldn't consider these when looking at whether he could afford to repay the loans. But I don't think it would be right for us, or Quick Quid, to make value judgements about what people spend their money on in this way. These were regular monthly repayments that Mr H was committed to making. And, in any event, this wouldn't detract from the clear evidence of financial difficulty that Mr H's bank account shows over time that I've outlined above.

Given all of the above I don't think Mr H could sustainably afford to repay these loans. And I think if QuickQuid had made proportionate checks then it would've seen this and not lent to him for loans 1 to 3 and 5 to 8.

putting things right

Quick Quid has agreed that it shouldn't have lent for loan 4. I also think that QuickQuid shouldn't have approved loans 1 to 3 and 5 to 8. So for loans 1 to 8 in my table above QuickQuid should:

- refund any interest and charges applied to those loans
- 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 Mr H's credit file in relation to those loans

*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

For the reasons I've explained, I uphold Mr H'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 H to accept or reject my decision before 29 July 2018.

Andy Burlinson
ombudsman