

complaint

Mr B says CashEuroNet UK LLC, trading as Quick Quid, lent to him irresponsibly. He says Quick Quid didn't carry out sufficient affordability checks and ought to have realised he was dependent on short-term credit.

background

I issued my provisional decision on this complaint on 29 June 2018. A copy is attached and it forms part of this final decision. In my provisional decision I explained why I thought the complaint should be upheld. I gave both parties the opportunity to let me know if they had anything to add.

Mr B said he accepted the recommendations made in my provisional decision. Quick Quid didn't send me anything else to consider.

my findings

I've again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken into account the law, good industry practice and any relevant regulations at the time.

As Mr B accepted my provisional decision and because Quick Quid didn't send me anything else to consider, I see no reason to depart from my provisional findings. I'm therefore upholding this complaint for the same reasons given in my provisional decision.

my final decision

I uphold this complaint in part. CashEuroNet UK LLC must put things right by taking the steps set out in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 August 2018.

Matthew Bradford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr B says CashEuroNet UK LLC, trading as Quick Quid, lent to him irresponsibly. He says Quick Quid didn't carry out sufficient affordability checks and ought to have realised he was dependent on short-term credit.

background

Mr B had 12 loans with Quick Quid. I've summarised some of the information Quick Quid has given us about the loans in a table, attached as an appendix to this provisional decision. Mr B isn't complaining about the first four loans but I've included them in the table for context.

In its response to the complaint, Quick Quid noted it had lent to Mr B after he had informed it of financial difficulty. It made an offer in relation to loans 5, 10, 11 and 12. So I'll only consider the merits of loans 6, 7, 8 and 9 in my decision.

Our adjudicator considered the complaint and thought it should be upheld. He said Quick Quid's affordability checks were not proportionate. He thought that if Quick Quid had carried out proportionate checks it would've likely seen that Mr B was spending substantial sums of money on gambling, so would've concluded it was likely Mr B wouldn't be able to make the repayments.

Quick Quid didn't agree with the adjudicator. It said (in summary):

- it wasn't fair that the adjudicator hadn't disclosed more information about Mr B's gambling, such as details of figures and transactions
- there should be more accountability for Mr B, both about how he uses his income and in terms of his responsibility to tell Quick Quid about any problems
- it could make the argument that gambling, not Quick Quid's products, were the cause of Mr B's financial problems

More recently, Quick Quid made an offer to settle the complaint in relation to loans 5-9. It isn't clear to me whether the offer was made in addition, or as an alternative to, the offer in its final response. And Mr B rejected the offer. As such my decision will cover these loans.

my provisional 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 taken into account the law, good industry practice and any relevant regulations at the time.

When Mr B first borrowed from Quick Quid, the regulator was the Office of Fair Trading (OFT). The OFT had published guidance on irresponsible lending (ILG), including an updated version in February 2011. On 1 April 2014 the Financial Conduct Authority (FCA) became the regulator and relevant regulations included its Consumer Credit sourcebook (CONC).

The ILG and CONC both make it clear lenders have a duty to lend responsibly – this includes undertaking proportionate affordability checks to try and ensure customers can repay loans sustainably. The definition of a sustainable repayment includes that payments should be made from income and/or savings, without undue difficulty and while meeting other reasonable commitments. There's no prescriptive list of the sort of checks a lender should carry out, but the regulations say lenders may wish to take into account factors such as the type of credit, a customer's credit history and their existing financial commitments.

With this in mind, I've taken into account whether Quick Quid carried out proportionate checks for each loan and, if it didn't, what I think such checks are likely to have shown.

did Quick Quid carry out proportionate checks?

loans 6 and 7

When Mr B applied for loan 6, he declared a net monthly income of £3,612. He wanted a loan of £1,500 with the largest repayment being £1,875. It doesn't look like Quick Quid asked for any expenditure information at this time.

The repayment was a little over half of Mr B's declared income. He'd also taken out loans before this in relatively quick succession and incurred late fees. Loan 3 had an original term of 23 days but ran for 98 and loan 4 had an original term of 66 days but ran for 158. Loan 5 had an original term of 28 days but ran for 75.

Taking into account the size of the loan relative to Mr B's income, his previous repayment problems, that Mr B was borrowing again so soon after repaying the preceding loan and that Mr B had taken near-consecutive loans for several months without much of a break, I think Quick Quid's checks ought to have gone further than simply asking Mr B about his income. In the circumstances of this loan, I think it would've been proportionate for Quick Quid to ask Mr B to substantiate his income and expenditure. He'd been demonstrating clear signs of financial difficulty and Quick Quid ought to have looked much more closely at Mr B's circumstances to understand whether or not this was the case. Quick Quid didn't do this, so I don't think its checks were proportionate.

I think the same applies for loan 7. Even though loan 6 was repaid on time (and in fact was repaid early), loan 7 followed it by just three days – so I don't think the early repayment of 6 can be said to be a clear sign of Mr B's finances improving.

loan 8

There was a gap of a little over seven months between loan 7 and 8. So I've thought about whether a reduced level of checks would be proportionate in the circumstances of loan 8. There are some factors which I think work against that, including the number of times Mr B made late payments in the past, the number of loans he had taken and that he was repeatedly borrowing large, similar amounts.

But on balance, I think it would be disproportionate to say Quick Quid should have continued to ask Mr B for evidence of his income and/or expenditure after such a long gap. It's possible Mr B's circumstances could have changed in this time. For one, Mr B told Quick Quid his income had increased from £3,600 to £4,200. There was also no longer such an obvious pattern of repeat borrowing.

I still think it would have been reasonable for this loan for Quick Quid to obtain a detailed understanding of Mr B's expenditure. This was still a large loan, similar to those which Mr B had struggled to repay on time before. So I think Quick Quid should've asked Mr B detailed questions about his expenditure, covering his usual living costs, regular and short-term credit commitments.

Quick Quid didn't ask about expenditure for loan 8. So I don't think the affordability checks Quick Quid carried were proportionate.

loan 9

Loan 8 was repaid very late – almost seven months later than originally scheduled. This nominally short-term loan lasted about nine months. So I think Quick Quid was on notice that Mr B was potentially in financial difficulty, whether or not Mr B had actually notified it of this at this stage. This was a long-term product, with a £1,500 limit – very similar to the sums Mr B had borrowed before, struggled to repay before and would be able to draw down again here. So I think Quick Quid should've asked Mr B for evidence of his financial situation, to make sure he wasn't in financial difficulty.

what would proportionate checks likely have shown?

loans 6 and 7

These loans were taken out between February and July 2012. I can't be certain about what Quick Quid would've seen if it had asked for evidence of Mr B's income and expenditure. But I've taken into account information from Mr B's bank statements – I think that's a fair, reasonable and reliable way to understand his income and expenditure at the time.

I should start by saying that the most notable feature of Mr B's bank statements during this period is the number of gambling transactions and the total amounts spent and received. I'll give some examples. In January 2012, Mr B spent around £19,000 and received around £15,000. In March 2012, Mr B spent around £28,000 and received around £11,000. And in June 2012, Mr B spent £11,600 and received £9,500. So in most months, I think Mr B was gambling very large sums of money – far more than he told Quick Quid he was earning – and it appears he was at least in part borrowing to sustain this expenditure.

I think a responsible lender, with knowledge of this sort of expenditure on gambling, would've thought it irresponsible to lend at all. I also think the figures suggest the loans would likely be unaffordable because Mr B would be unlikely to be able to sustainably repay them.

It's only fair to add that there are at times other significant payments into Mr B's bank accounts. In March 2012 there's a payment of over £10,800 from Mr B's employer. I understand that this included a bonus payment and from what I've seen it doesn't reflect his usual monthly income, which was typically £4,000-£5,000. Even if I took it into account, Mr B's expenditure isn't sustainable, particularly when considering the gambling spend.

There are also various faster payments, the sources of which are harder to identify. Mr B has said that a number of the other deposits are loans from elsewhere, including from friends and family. And without anything to show otherwise, I don't think it's likely the money came from earned income and/or savings. It doesn't seem likely it was therefore money Mr B could've used to sustainably repay Quick Quid.

So from everything I've seen, I think proportionate checks would've shown Quick Quid it wasn't right to lend to Mr B – either because his expenditure exceeded his income, or because the amounts he was spending on gambling suggested it simply wasn't responsible to lend at all.

loan 8

Although there was a seven month gap in lending, the amount Mr B wanted to borrow was the same. Mr B's declared income increased to £4,200. The largest scheduled repayment was £1,875.

I think if Quick Quid had asked Mr B, it would've seen he already had another short-term commitment of £1,162. I've also seen that Mr B had a mortgage payment of £1,157. So even putting aside other living costs like food, travel and utilities, I don't think this loan could be sustainably repaid.

loan 9

Had it asked Mr B for evidence of his financial situation, I think Quick Quid would've seen that Mr B was still spending more than he appears to be earning. To give some examples, I can see that in November Mr B received £4,700 from his employer. He spent around £1,800 on gambling (and received £1,300 back). His payments to other creditors were substantial; in the same month Mr B made payments to other short-term and guarantor lenders of £198, £531, £1,300, £174 and £133 – a total of £2,336. He also made a car finance payment of £1,073.

I think if a responsible lender had seen that Mr B's expenditure was exceeding his income –and he was relying on loans from at least five other short-term and guarantor lenders to sustain this expenditure – then it wouldn't have lent.

what the business needs to do to put things right

I plan to tell Quick Quid to:

- refund any interest and charges paid by Mr B on loans 5, 10, 11 and 12 – as it offered to do in its final response letter
- refund any interest and charges paid by Mr B on loans 6, 7, 8 and 9
- add interest at 8% simple per year to the above, from when Mr B paid the fees and charges until he gets the refund†
- remove any adverse information about loans 5-12 from Mr B's credit history

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

my provisional decision

For the reasons I've give above, I plan to uphold the complaint and to tell CashEuroNet UK LLC to put things right by doing what I've set out above.

Matthew Bradford
ombudsman

Appendix

Loan no.	Start Date	Original End Date	Actual End Date	Amount	Largest Payment	Late fees?	Gap between loans (days)
1	09/09/2009	23/10/2009	23/10/2009	£400	£500	No	n/a
2	28/10/2009	24/11/2009	24/02/2010	£900	£1,125	No (rolled over)	5
3	25/04/2011	24/05/2011	31/08/2011	£1,500	£1,875	Yes	425
4	19/09/2011	24/11/2011	24/02/2012	£1,500	£1,875	Yes	19
5	24/02/2012	23/03/2012	09/05/2012	£1,500	£1,875	Yes	0
6	20/05/2012	25/07/2012	17/07/2012	£1,500	£1,875	Yes	11
7	20/07/2012	24/09/2012	31/01/2013	£1,500	£1,875	Yes	3
8	17/08/2013	24/10/2013	23/05/2014	£1,500	£1,875	Yes	198
9 (flexcredit)	02/10/2014	n/a	03/03/2015	£1,500 (limit)	£492.55 (variable)	Yes	131
10	04/03/2015	28/05/2015	24/03/2015	£1,300	£1,612	No	0
11	20/04/2015	28/07/2015	28/04/2015	£1,500	£1,884	No	27
12	30/04/2015	28/07/2015	14/09/2016	£1,500	£1,884	Yes	2