complaint

Mr H complains that CashEuroNet UK LLC (trading as Quick Quid) gave him loans that were unaffordable.

background

Mr H took out a total of 17 loans from Quick Quid between July 2012 and November 2016, and he's repaid all the borrowing. The background to this complaint was set out in my provisional decision that I issued in September 2017. An extract from this is attached and forms part of this final decision, so I won't repeat that information here.

I asked everyone to send me any further comments and information before I reached a final decision. Mr H said that he accepted my provisional decision. But Quick Quid didn't, and it responded in a bit more detail. I've thought about everything it has said, and I've summarised its points below.

Quick Quid says that part of its approval process is based on the consumer's income and essential monthly expenditure. So it looked into whether the consumer could afford the repayment using these aspects alone. And it says that the regulations at the time deemed that these should be taken into account when lending responsibly.

Quick Quid accepted that the regulations at the time stated that evidence of expenditure was one of the sources that could be used to determine affordability. But it said that it wasn't specified that a bank statement was required to do so. Quick Quid says that bank statements contain consumer's sensitive information and isn't required to share these with the business. Quick Quid also says that it would've only been notified of Mr H's gambling if he'd volunteered that information.

Quick Quid also considers Mr H's repayments to be a priority debt because they're based on a contractual agreement. So it considers that Mr H should be held accountable for how he chose to allocate his income.

my findings

I've reconsidered 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 that are still in dispute are those where I think Quick Quid should've built a full picture of Mr H's financial situation, and where I think it would've discovered Mr H's gambling habit – amongst other things. So those are the loans my findings below refer to.
Firstly, I don't agree with Quick Quid's view of how the affordability of the loans should be assessed – its interpretation of the relevant regulations appears rather limited. Quick Quid has specifically referred to The Office of the Fair Trading (OFT) regulations here. These regulations describe how the affordability checks should be proportionate. And that the lender should take reasonable steps to ensure that a borrower can repay the loan in a sustainable manner. That means the borrower should be able to do so – amongst other things – *"without undue difficulty – in particular without incurring or increasing problem indebtedness"*.

I accept that Mr H might've been able to meet the repayments on some of his loans when strictly looking at his essential monthly expenditure such as rent and other household bills. But I do still think that on the loans in dispute proportionate checks would've uncovered Mr H's gambling habit. And I don't think that's something Quick Quid should've ignored, especially given how significant proportion of his normal income Mr H gambled at times.

So had Quick Quid carried out proportionate checks, I still think it would've discovered Mr H's gambling habit. And I think it should've been concerned that given his regular spending habit, Mr H wasn't able to repay some of his loans sustainably, and *"without undue difficulty"*.

Quick Quid considers its loans to be a priority debt as the repayments are based on a contractual agreement. But Quick Quid had a responsibility to make sure Mr H could meet those repayments sustainably *before* he entered into those agreements.

It's true that the regulations at the time listed "evidence of expenditure" as one of the sources to assess affordability, and this doesn't specifically refer to bank statements. But I'm also mindful that Quick Quid didn't ask for *any* evidence of expenditure at any point. So I've thought about what I think it would've reasonably discovered, had it done so. And that's why I've looked at Mr H's bank statements for evidence of his expenditure.

I also think that if Quick Quid had asked Mr H for evidence of expenditure – such as his bank statements – and he'd refused, it shouldn't have given him these loans. That's because it wouldn't have been able to fulfil its regulatory obligation to carry out proportionate affordability checks.

Overall, I've thought about the points Quick Quid has raised, but these don't change my findings. So I've reached the same conclusions as those in my provisional decision, and for the same reasons.

putting things right

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

- Refund any interest and charges applied to loan 3 from 6 November 2012 onwards, as well as loans 4 to 11, and 15 to 17.
- 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 loans 3 to 11, and 15 to 17.

*HM Revenue & Customs requires Quick Quid to take off tax from this interest. Quick Quid 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 above and in my provisional decision, I uphold Mr H's complaint in part. CashEuroNet UK LLC should pay Mr H compensation as 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 13 November 2017.

Renja Anderson
ombudsman

EXTRACT FROM PROVISIONAL DECISION

background

Mr H took out a total of 17 loans from Quick Quid between July 2012 and November 2016, and he's repaid all the borrowing. I've included a summary of Mr H's borrowing history with Quick Quid as an appendix.

One of our adjudicators looked into Mr H's complaint. She thought that the checks Quick Quid did to assess the affordability of loans 1 and 2 were proportionate. So she didn't think there was anything else Quick Quid needed to do about these loans.

But she didn't think the checks Quick Quid did on the rest of Mr H's loans were proportionate. And having looked into Mr H's financial situation, she didn't think that loans 3 to 9, and 12 to 17 were affordable for Mr H. So she thought Quick Quid should pay Mr H compensation, and remove any adverse information recorded on his credit file about these loans.

Quick Quid didn't agree with the adjudicator's findings. In summary, it said that:

- a customer's requests for loan top ups wouldn't cause alarm if their repayment on the loan is sound, and that they'd previously been approved for a higher amount,
- Quick Quid wasn't required to retain details of Mr H's expenditure while the relevant regulator was the Office of Fair Trading,
- we should question if Mr H was fully responsible for all of his expenses, or if these were shared with a partner, as the adjudicator had mentioned childcare expenses,
- Mr H had enough funds to pay the interest on the third loan as we should assume he'd have the principal funds remaining at the end of the month to pay it back,
- Mr H had breaks between his loans, and he often repaid his loans early – these show that he wasn't dependent on the loans,
- there were no regulatory checks that would've alerted it of Mr H's gambling habits – and as Mr H's bank statements contained sensitive information he could've chosen not to share these with Quick Quid.

But Quick Quid accepted that there were signs of dependency on the loans from January 2013 until August 2013. So it offered to refund the interest and charges on loans 5 to 8, and remove any adverse information about these loans from Mr H's credit file. But Mr H didn't accept this offer. Because no agreement was reached, the complaint has been passed to me.

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 also taken into account the law, any relevant regulatory rules and good industry practice at the time.

Having done so, I'm intending to uphold Mr H's complaint in part. The adjudicator upheld the complaint with regards to loans 3 to 9, and 12 to 17, but I intend to uphold loans 3 (from first top up) to 11, and 15 to 17. I'll explain why.

Quick Quid was required to lend responsibly. The regulator under which Mr H's credit was issued was first the Office of Fair Trading (OFT). This changed to the Financial Conduct Authority (FCA) on 1 April 2014. There was no set list of checks Quick Quid needed to do under either regulation. And what Quick Quid has said about there being no requirement to hold details about Mr H's expenditure under the OFT regulation is true.

But both regulators were, and are, very clear about the responsibility of the lender to take reasonable steps to ensure that a borrower can *sustainably* repay their loans. In short, this means repaying credit out of income and savings while meeting other reasonable commitments, without having to borrow more.

Both regulators also listed examples of sources of information to assess affordability – these include: record of previous dealings, evidence of income, evidence of expenditure, a credit score, a report from a credit reference agency and information from the borrower.

So Quick Quid needed to make checks to see whether Mr H could afford to pay back each loan sustainably – before it lent to him. And those checks needed to be proportionate to things such as the amount Mr H was borrowing, and his lending history.

Quick Quid says that it ran credit checks prior to issuing loans to Mr H, but it only holds a copy of the most recent check. So where I don't have a copy of a credit check, I've thought about what information Quick Quid was likely to have seen at the time – where appropriate.

loans 1 to 4

Mr H took out loan 1 in July 2012. It was for £150. I can see that Quick Quid took a note of Mr H's stated monthly income at the time – £1,400. As this was the first loan Mr H took out from Quick Quid, and given his income and the amount he was borrowing, I think the checks Quick Quid made were proportionate. So I don't think there's anything else it needed to do before giving Mr H loan 1.

Mr H repaid loan 1 in August 2012 and took out loan 2 in October 2012. He first borrowed £100, but he added another £200 to his borrowing by taking two top ups (£100 each) later the same month. And he topped up most of his loans after this.

Quick Quid says that a customer is eligible for a top up if they've previously been approved for a higher amount but selected to borrow less initially. And they can later request the further amount as long as it doesn't exceed the approved limit. That may well be true, but I haven't seen anything – such as a credit agreement – to show that Quick Quid made its lending decisions on Mr H's loans on a higher credit limit. So I've assessed each loan, and top up, as a separate lending decision.

So when Mr H took out loan 2 (£100) and the first top up (£100), I think it was still proportionate for Quick Quid to make its lending decision based on Mr H's income – given that the repayment amounts were still relatively low compared to his income.

But when Mr H topped up loan 2 the second time on 20 October 2012 (£100), the monthly repayment due on 31 October 2012 was now £366.36. Given how much he'd need to pay back, I think it would've been proportionate for Quick Quid to also ask about Mr H's regular outgoings to assess if the loan was affordable for him. But had it done so, I think it would've concluded that it was.

As Quick Quid didn't ask about Mr H's regular outgoings, I've looked at his bank statements to see what these were at the time. I've also thought about what he's said about his outgoings.

Firstly, Mr H has said that he lived partially with his sister at the time, and he paid her £100 a month towards living costs. And I can see that he started making regular transfers of £100 to her from November 2012 onwards. Before that, I can see that he withdrew about £200 in cash after payday – these large withdrawals stopped at the same time as the regular transfers to Mr H's sister started. Overall, I've taken into account the £100 as being part of Mr H's regular outgoings.

Mr H's other regular bills and living costs – including food and petrol – amounted to around £540 at the time he took out loan 2. Additionally, I can see that he paid £170 to his ex-wife in child maintenance payments. So Mr H's normal living costs appeared to amount to around £810 at the time.

But given Mr H's stated income of £1,400 and his normal living costs of around £810, I think he would've had enough disposable income to make the final repayment of £366.36 on loan 2. So had Quick Quid carried out proportionate checks, I think it would've concluded this loan was affordable for Mr H.

Mr H has also said that he paid another £100 towards rent to his partner at the time. But I can't see these payments on his statements. However, even if I were to take this into account and say that his regular outgoings were around £910, I think Quick Quid would've still given him this loan, as it would've appeared affordable.

Mr H took out loan 3 in November 2011, just a few days after repaying loan 2. He now borrowed £150. At this point, given that this was now Mr H's third loan overall (and his fifth advance in less than four months) and the amount he'd need to pay back, I think it would've again been proportionate for Quick Quid to also ask about his regular outgoings. But these appeared to be roughly the same as when he took out loan 2, so I think this loan would've appeared affordable too.

But Mr H topped up loan 3 the next day. He doubled the original loan, meaning he now owed £300 plus interest. Given that this was Mr H's third loan, and he again started to top up his loan – as he'd done on loan 2 – I think Quick Quid should've done more. I think it would've been proportionate for Quick Quid to build a full picture of Mr H's financial situation to make sure the loan was affordable for him. And had it done so, I don't think it would've given Mr H this, or the next, top up (£50).

There are many ways Quick Quid could've done this, such as by asking for payslips and/or bank statements. Quick Quid says that Mr H might not have shared these with it, because his bank statements contained sensitive information. That may be true. But in that situation, I don't think Quick Quid should've given Mr H this top up.

Quick Quid has also said that Mr H could've used the capital borrowing on loan 3 to repay the same loan at the end of the month. But I don't find this argument reasonable. And in fact, the regulations at the time said that meeting repayments in a sustainable manner meant repaying credit out of existing income and/or savings – so not out of borrowing.

Mr H's income was roughly what he'd declared – around £1,400 – and his regular outgoings were at least £810. But had Quick Quid looked into Mr H's financial situation, I think it would've also discovered that he was making regular gambling transactions. His most recent bank statement would've shown that he gambled over £1,000 in a month. So I think Quick Quid would've had serious concerns about Mr H's ability to repay loan 3 sustainably.

Mr H borrowed less for loan 4 in December 2012 (compared to the amount he took out for loan 3 including the top ups) but it was the highest single amount he'd borrowed. He first took out £250 and then topped up with a further £25. But as I think Quick Quid would've discovered Mr H's gambling habit already when he topped up loan 3 a month earlier, I think it should've continued to look into his financial situation in detail, even when the overall capital borrowing decreased.

And had it done so, I think Quick Quid would've seen that Mr H continued to gamble. Now his most recent bank statement would've shown that he gambled around £400 the previous month. So, as Mr H's income and regular outgoings remainder roughly the same, I think Quick Quid would've concluded that loan 4 wasn't affordable for Mr H either.

loans 5 to 11

Quick Quid has accepted that there were signs of Mr H becoming dependent on short term loans when he took out loans 5 to 8. And I agree – but as I've explained above, I think it should've been concerned already much earlier.

As Mr H continued to borrow from Quick Quid without any significant gaps in his borrowing, I think Quick Quid should've continued to assess Mr H's overall financial situation before lending to him until loan 11 (inclusive). I accept that there were a few longer gaps in Mr H's borrowing – for example, between repaying loan 9 and taking out loan 10 there was around four month gap. But given his borrowing history, and what Quick Quid would've discovered about his financial situation, I don't think this was long enough for Quick Quid to assume that Mr H's financial situation had improved, without needing to check.

Mr H's financial situation remained roughly the same when he took out loans 5 to 8. I note that his income started increasing before he took out loan 6 – it was now usually around £1,550 a month. His expenses seemed to remain roughly the same or slightly more – but in any event at least £810.

Mr H was also taking out some other short term loans during this time – albeit for fairly small amounts (around £100). But he also continued to gamble. His gambling transactions ranged from around £200 to over £800 a month. So had Quick Quid continued to look into Mr H's financial situation in detail, I think it would've continued to be concerned about Mr H's ability to repay his loans sustainably. So, I don't think it would've given him loans 5 to 8 either.

Mr H's income was again higher by loan 10 – around £2,000. But his gambling spending also increased significantly after this point. By loan 9 he was gambling over £1,000 a month – and at times even over £5,000. I note that some months his gambling transactions showed up on another account. But Mr H was transferring funds to the other account from his main account. And I think Quick Quid would've questioned the transfers, had it continued to carry out proportionate checks. Given Mr H's regular and significant gambling spending, as a responsible lender, I don't think Quick Quid would've given him loans 9 to 11 either.

I note that there were several other transactions in and out of Mr H's account before loans 10 and 11 – these all appeared to come and go from Mr H's other accounts. One was a savings account, but by the time Mr H took out loan 10, his savings account balance had reduced to £0. And the other transfers appear to have been used for gambling. So it doesn't look like Mr H had any extra disposable income during this time.

I've also looked at Mr H's savings account statements throughout the period of lending. And from what I've seen, I don't think the savings he had when he took out any of his loans were significant enough to make those loans affordable for him.

loans 12 to 17

There was almost a two year gap between Mr H repaying loan 11 and taking out loan 12. Our adjudicator thought that Quick Quid should've continued to look into Mr H's financial situation in detail, given that it would've already known about his gambling habit. But I take a different view on this.

Mr H took out loan 12 in July 2016 for £250. At this point Quick Quid asked for his income (£1,631) and expenditure (£825). Given that this was Mr H's first loan with Quick Quid for almost two years, and the amount he borrowed was relatively low compared to his income, I think the checks it carried out were proportionate here. And based on the information Mr H gave, the loan would've appeared affordable.

And I think these checks were still proportionate when Mr H took out loan 13 (£200), and the top ups (£125). Again, the loan would've appeared affordable.

Mr H took out loan 14 in August 2016 (£100) and he topped it up three times. I think when Mr H took out the second top up on this loan – so the total borrowing was now £250 – Quick Quid should've become concerned that Mr H was again becoming reliant on short term lending. So in addition to asking about Mr H's income and expenditure, I think it should've specifically asked if he also had other short term lending commitments.

But even if it had, I don't think it would've made a difference. I say this because it doesn't look like Mr H took out other short term loans around this time. And I think it was still reasonable for Quick Quid to rely on the other information Mr H had given it. So I think loan 14 would've still appeared affordable.

Mr H took out loan 15 in August 2016. This was for £850 with a final repayment of £1,094.80. But given Mr H's income (£1,631) and his expenditure (£825), I don't think Quick Quid should've given him this loan based on the information it had. Based on what Mr H had told it, his disposable income was £806. So it was clear that he wouldn't be able to make the final repayment on this loan sustainably. I don't think Quick Quid acted responsibly in giving him this loan.

In any event, this was now Mr H's fourth loan within a few months, and he'd already topped up his previous loans several times. And given how much Mr H was borrowing, I don't think the checks Quick Quid carried out were proportionate. I think it would've been proportionate for it to build a full picture of Mr H's financial situation before lending to him again.

Had Quick Quid done so, I think it would've seen that Mr H's income was roughly what he'd declared, so £1,631. But his regular outgoings were significantly higher than he'd declared. These appeared to be around £1,300 without even taking into account food or petrol costs. For example, Mr H was now repaying a loan with a high street lender – this was around £450 a month. He'd borrowed £25,000 earlier in 2016 to repay other creditors.

Mr H continued to gamble at this time. And the month before taking out loan 15, his gambling spending was over £1,000. So if Quick Quid had done everything it should've, I don't think it would've given Mr H loan 15. And given that Quick Quid would've again been alerted to Mr H's gambling habit, I think it should've continued to look into his financial situation in detail for loans 16 and 17 as well.

When Mr H took out loan 16, his income had increased to about £1,800. But his expenses were still around £1,300 without even taking into account food or petrol costs. And while there don't appear to be any gambling transactions in September 2016, Mr H gambling spend was over £1,500 the previous month. So I think Quick Quid would've still been concerned about Mr H's ability to repay loan 16 sustainably. And as a responsible lender, I don't think it would've given him this loan.

Mr H took out his last loan, loan 17, in early November 2016. His income was now around £2,000, but his regular outgoings – including food and petrol costs – were now around £1,800. And he started to gamble again. In October 2016 his gambling spending was about £200. So again, had Quick Quid looked into Mr H's financial situation in detail, I think it would've concluded that he wasn't able to repay this loan sustainably.

summary

For loans 1 to 11, I currently think that the affordability checks Quick Quid carried out for loans 1 and 2, including the first top up, were proportionate. But from the second top up on loan 2 onwards, I don't think they were. And had Quick Quid carried out proportionate checks, I think it would've discovered that the loans weren't affordable for Mr H from the first top up on loan 3 onwards.

For loans 12 to 17, I currently think that the affordability checks Quick Quid carried out for loans 12 to 14, including the first top up, were proportionate. But from the second top up on loan 14 onwards, I don't think they were. And had Quick Quid carried out proportionate checks, I think it would've discovered that loans 15 to 17 weren't affordable for Mr H.

appendix

loan number	loan/ top up amount	received date	repayment date
1	£150	18/07/2012	31/08/2012
2	£100	07/10/2012	31/10/2012
	£100	18/10/2012	
	£100	20/10/2012	
3	£150	05/11/2012	30/11/2012
	£150	06/11/2012	
	£50	13/11/2012	
4	£250	06/12/2012	31/12/2012
	£25	18/12/2012	
5	£100	11/01/2013	28/02/2013
	£100	17/01/2013	
	£100	18/01/2013	
6	£100	14/03/2013	31/05/2013
	£75	15/03/2013	
	£50	16/03/2013	
	£50	20/03/2013	
7	£150	08/06/2013	31/07/2013
	£50	13/06/2013	
	£150	14/06/2013	
8	£50	14/08/2013	30/09/2013
	£150	15/08/2013	
	£25	22/08/2013	
9	£400	04/12/2013	31/01/2014
	£75	06/12/2013	
10	£200	01/06/2014	31/07/2014
	£125	10/06/2014	
	£50	16/06/2014	
11	£550	30/08/2014	04/09/2014
12	£250	03/07/2016	06/07/2016
13	£200	08/07/2016	19/07/2016
	£25	09/07/2016	
	£100	11/07/2016	
14	£100	14/08/2016	19/08/2016
	£50	16/08/2016	
	£100	17/08/2016	
	£125	18/08/2016	
15	£850	25/08/2016	30/08/2016
16	£50	24/10/2016	31/10/2016
	£25	27/10/2016	
	£50	28/10/2016	
17	£100	05/11/2016	22/11/2016
	£50	06/11/2016	
	£100	12/11/2016	
	£100	14/11/2016	