Financial Ombudsman Service

complaint

Mr H has complained about payday loans he took out with Casheuronet UK LLC (trading as "Quick Quid"). He's said he had numerous loans from Quick Quid which trapped him in a debt spiral leading him to have to borrow again to cover his next month's living costs.

background

Mr H has complained about seven loans. His borrowing history is as follows:

Loan	Date taken	Total	Repayments	Amount due	Max repayment	Date repaid
1	19/01/2014	£250.00	1	£305.31	£305.31	25/02/2014
2	18/07/2014	£200.00	2	£300.30	£250.15	22/08/2014
3	08/11/2015	£900.00	2	£1,224.00	£1,101.60	17/12/2015
4	19/12/2015	£1,000.00	3	£1,576.00	£1,248.00	25/02/2016
5	05/07/2017	£500.00	3	£844.00	£616.00	25/08/2017
top-up	12/07/2017	£200.00	3	£1,170.40	£862.40	25/08/2017
top-up	17/07/2017	£200.00	3	£1,488.80	£1,108.80	25/08/2017
top-up	20/07/2017	£200.00	3	£1,802.40	£1,355.20	25/08/2017
6	09/09/2017	£500.00	2	£708.00	£628.00	12/10/2017
7	22/11/2017	£250.00	2	£390.00	£316.00	

When it looked at Mr H's complaint, Quick Quid didn't agree that it lent irresponsibly to Mr H. It said that the checks it carried out, amongst other things, included:

- Mr H's credit score at the time of application;
- Mr H's employment status;
- analysing Mr H's existing financial commitments, insolvency records, delinquency records, County Court Judgements and credit enquiries.

Quick Quid said that it considered all of this information before approving Mr H's loans. And as a result it didn't agree that it was irresponsible in lending to Mr H.

So Quick Quid didn't uphold Mr H's complaint.

my provisional decision

On 21 September 2018, I issued a provisional decision setting out my thinking on Mr H's complaint. I won't copy that decision in full, but I will provide a summary of my findings.

Firstly, I summarised the regulatory framework, relevant law, relevant publications and what I consider to be good industry practice (set out in the appendix to this decision) and I ask Mr H and Quick Quid to read this again in order to give proper context to this final decision.

In light of that review, I explained that there were three overarching questions I needed to consider in order to decide what's fair and reasonable in the circumstances of this complaint. These were:

1. Did Quick Quid, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay his loan in a sustainable way?

   a. If not, would those checks have shown that Mr H would've been able to do so?

2. Taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Mr H's indebtedness in a way that was unsustainable or otherwise harmful?

3. Did Quick Quid act unfairly or unreasonably in some other way?

I also explained that I had identified that Mr H's borrowing history was made up of three distinct chains of loans, or periods of borrowing. The first was for loans 1 and 2 (from January 2014 to August 2014). There was a second chain encompassing loans 3 and 4 (from November 2015 to February 2016). And a final chain covering loans 5 to 7 (from July 2017 to January 2018).

When considering the first overarching question – whether Quick Quid, each time it lent, completed reasonable and proportionate checks to satisfy itself that Mr H would be able to repay in a sustainable way – I explained that a lender had to think more widely than simply whether it would get its money back from a borrower.

Lenders also had to carry out a reasonable assessment of whether the borrower could afford to meet the repayments in a sustainable manner. This is sometimes referred to or called an "affordability assessment" or "affordability check". Checks should be both "borrower-focused" and "proportionate".

I also explained that what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the borrower (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different loan applications.

In light of this, I provisionally concluded that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to repay 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); and

- 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 ongoing use of these loans may signal that the borrowing had become, or was becoming, unsustainable).

I explained that there may also be other factors which could influence how detailed a proportionate check should be for a given loan application – including (but not limited to) any indications of borrower vulnerability, any foreseeable changes in future circumstances, or any substantial time gaps between loans.

I noted that Quick Quid had placed quite a bit of weight on its credit checks. And, in my provisional decision, I said:

"Quick Quid has referred to the several credit checks it carried out on Mr H before lending to him. The rules and guidance do set out that a proportionate check may include checks such as a "credit score" or a "credit report" from a "credit reference agency".

Quick Quid says that amongst other things it was satisfied there was no record of Mr H having been insolvent or having had any County Court Judgements. But I don't see how any of the above information demonstrates this.

I accept that it might do but I've certainly not been provided with anything to show me how this is the case. And considering that this is information that Quick Quid itself has collected and, it says, used to inform its lending decisions, it's disappointing that Quick Quid has been unable to point me to what it exactly it is about Mr H's financial circumstances this data showed it when he was given his loans.

For example, the data says Mr H had an over-indebtedness score of 462. But there's no indication or explanation of what the maximum achievable score is. So I have no idea what this score of 462 means, or what it represents. This service cannot comb through various bits of coded information attempting to decipher it or look for evidence to support Quick Quid's defence of Mr H's complaint. If Quick Quid can't describe what the data and scores it has provided shows about Mr H and what it means then I can't place much weight on it.

Quick Quid appears to be relying heavily on the automated decisions reached by its algorithm – especially on the loans taken after February 2015. For the avoidance of doubt, Quick Quid is responsible for any lending approved by its own systems. And as Quick Quid insists that all of Mr H's loans were responsibly lent, it ought to know – and have explained – not only what data its lending systems analysed, but also how it used and interpreted this information to make a responsible lending decision."

I invited Quick Quid to provide me with greater context on the information it provided and how the information fitted in with its lending decisions.

- loans one and two

In terms of the loans themselves, I concluded that Quick Quid's checks before giving Mr H loans 1 and 2 were proportionate. I said this because at the outset of its lending relationship with Mr H – and given that he was seeking relatively small sums of £250 and then £200 in proportion to his declared income – even a relatively light check could be proportionate.

Quick Quid had taken information about Mr H's income and expenditure which didn't appear to be obviously insufficient to repay the loan. Separately, I also explained that, even though Quick Quid had told me that it had completed credit checks on Mr H, it hadn't adequately explained what those checks showed and so I felt unable to place much, if any, weight on the credit check.

- loan three

For loans 3 and 4, I explained that while I would've still expected Quick Quid to have had regard of its record of its previous dealings with Mr H, it would be reasonable and proportionate to regard loan three as the start of a separate chain of lending. I said this because Mr H's third loan with Quick Quid came well over a year after he'd repaid loan two.

The information provided suggested that Mr H declared an increased monthly income amount of £1,742.00. And that his monthly expenditure had increased to around £870.00, which left him with a disposable income of around £875.00.

I noted that Mr H was given a two payment loan where the highest monthly repayment was in excess of what Mr H had declared as his monthly disposable income. I also explained that given the proportion of Mr H's monthly disposable income that was going towards paying the largest monthly payment, there was a strong argument for saying that it would've been reasonable and proportionate for Quick Quid to have taken further steps to verify the income and expenditure information provided.

That said, in this instance, I was prepared to accept that the total cost of loan three was £1,224.00 and Quick Quid's affordability assessment had to look into whether Mr H could afford to repay this out of two monthly income cycles. In other words, Quick Quid had to establish whether Mr H effectively had £1,224.00 in disposable income available to him over the course of November 2015 and December 2015.

I had significant concerns that the maximum repayment Mr H had to make, for loan three, was some 125% of what Quick Quid had ascertained as his monthly disposable income. And I wasn't wholly persuaded that Mr H was in a position where he was able to 'save' some of his disposable income from November 2015 in order to make the December 2015.

But I was mindful that Mr H was required to repay £1,224.00 over two monthly income cycles. And it was also my understanding that Quick Quid's process, at this particular time, required a digital signature from Mr H confirming that he understood the maximum repayment amount was higher than his monthly disposable income and that he'd have to save a portion of his disposable income from November in order to make the December repayment.

Equally at the time the loan was provided, there wasn't anything obvious - either in Quick Quid's previous lending history with Mr H or in the it information gathered - to suggest that it was unreasonable for Quick Quid to have relied on this information. So I was inclined to reach the conclusion that overall and having carefully weighed up everything, Quick Quid completed reasonable and proportionate checks before giving loan three to Mr H.

- loan four

I explained that for loan 4 Quick Quid appeared to be placing a great deal of weight on the fact that Mr H repaid loan 3 early and made an interest saving. It said that this not only demonstrated Mr H had enough disposable income to cover this loan, but also that he had the financial means to repay it early.

I agreed that a consumer repaying a loan early could sometimes indicate that the short-term emergency (the consumer borrowed for) had been resolved and that the consumer was in a reasonable financial position. But, I didn't think that it was reasonable and proportionate for Quick Quid to have reached this conclusion here given the particular facts of Mr H's case.

This was because Mr H approached Quick Quid for loan four only two days after he'd repaid loan three. And this time he was looking to borrow even more than what he'd borrowed for loan three (and more than he'd ever borrowed form Quick Quid). In these circumstances, I thought that Quick Quid ought fairly and reasonably to have been alert to the possibility Mr H might've been seeking further funds to cover the hole left in his finances by the 'early' repayment of loan three.

Loan four was for £1000. It was a three payment loan (in other words, it was to be paid over three monthly income cycles). And it had a maximum monthly repayment of £1,248.00 and a total cost of £1,576.00. Quick Quid said it checks suggested that Mr H again had around £875.00 in monthly disposable income available to him. And the total amount he had available to him, over the entire repayment period, was around £2625.00, which was enough to cover the total amount due – he could 'save' enough of his disposable income from December 2015 and January 2016 in order to cover the maximum repayment of £1,248.00 in February 2016.

While I gave Quick Quid the benefit of the doubt and concluded that it was reasonable and proportionate for it to have proceeded on the basis that Mr H might've been able to carry over disposable income from the first month to the second month when it provided loan three, I didn't think that I could fairly and reasonably reach the same conclusion for loan four.

I didn't think it was fair and reasonable for Quick Quid to simply accept that Mr H would carry over disposable income from December 2015 and January 2016 to make his February 2016 repayment. In my view, Mr H approaching Quick Quid for loan four so soon after loan three was repaid suggested that there was a very real possibility he would be unable to carry forward disposable income in the way necessary to make the February 2016 repayment. This was especially the case as the February 2016 repayment was almost 150% of what Quick Quid had worked out Mr H's monthly disposable income as being.

In these circumstances, I thought that it would've been reasonable and proportionate for Quick Quid to have carried out further checks to ascertain that Mr H would be able to sustainably repay this loan. And as Quick Quid didn't do this here, I was inclined to say that reasonable and proportionate checks weren't carried out before loan four was given to Mr H.

- loan five

In terms of loan five, I explained that Mr H approached Quick Quid for it approaching 17 months after having repaid loan four. So, much like loan three, while I would've still expected Quick Quid to have had regard of its record of its previous dealings with Mr H, I thought that it was reasonable and proportionate to regard loan five as the start of a separate chain of lending. And, in those circumstances, I thought that a less detailed affordability assessment could have been proportionate for this loan – depending on the circumstances.

In this instance, Mr H was given an initial £500. This was once again a loan due to be repaid over three payment periods. The highest monthly payment was £616.00 and the total cost was £844.00. It appears as though Mr H reconfirmed his monthly income as being £1,741.00. He also declared that he had total monthly living expenses of £815.00 leaving him with £926.00 in disposable income.

While it could be argued that Mr H declaring his total monthly living expenses had reduced ought to have prompted Quick Quid to have questioned what had been declared, I was mindful that it was around 18 months since Mr H was previously asked for this information. And, in those circumstances, I didn't think it was unreasonable for Quick Quid to have relied on this information as Mr H's monthly expenditure might well have changed over this time.

Given the gap in borrowing, Quick Quid's other checks and Mr H declaring that he had a monthly disposable that was significantly in excess of the highest monthly repayment, I thought that Quick Quid's checks before providing Mr H with the initial amount for loan five were reasonable and proportionate. And as the first top up to this loan, still left a maximum repayment that was lower than Mr H's monthly disposable income, I was also inclined to say that the checks before the first top-up were reasonable and proportionate.

But I didn't think that I could fairly and reasonably reach that conclusion for the second and third top-ups to loan five. This was because the second top-up for loan five took Mr H's maximum repayment significantly over his monthly disposable income. And as Mr H was coming back for further funds (on a second and third occasion), I didn't think it was reasonable or proportionate for Quick Quid to proceed on the basis Mr H would be able to carry forward disposable income from months one and two to month three.

Mr H's request for further funds through the top-ups strongly indicated that he wasn't in a position to be able to have done this. After all why would he have needed to borrow further, if he had been carrying forward these funds? At best he would've been borrowing further funds to repay and this wouldn't have been sustainable.

So given the particular circumstances of Mr H's borrowing for loan five, I was inclined to say that Quick Quid needed to do more before giving Mr H the second and third top-ups on the loan. And as Quick Quid didn't do this, I was inclined to say that Quick Quid's checks before the second and third top-ups on loan five weren't reasonable and proportionate.

- loans six and seven

For loans six and seven, I explained that Mr H approached Quick Quid for loan six a couple of weeks after loan five was repaid and loan seven around six weeks or so after loan six had been repaid. And the amounts Mr H was given had reduced by 50% on each occasion.

I noted that these loans were also two payment ones. But bearing in mind the steps Quick Quid had taken to ascertain Mr H's monthly disposable income and the maximum monthly payment – on both loans - was substantially lower than this, overall I was inclined to say that Quick Quid's checks before giving Mr H loans six and seven were reasonable and proportionate.

I then went on to consider whether reasonable and proportionate checks, for the loans and top ups where these hadn't been carried out (i.e. loan 4 and the second and third top-ups to loan 5), would have indicated to Quick Quid that Mr H would have been unable to sustainably repay the borrowing. In doing this, I set out that I had to form some judgments about what a reasonable and proportionate check would've involved.

I thought proportionate checks for loan would've involved finding out about and asking for evidence of Mr H's regular outgoings, including other debts. Using this information, I believed Quick Quid would've been better able to assess whether Mr H really was able to make these payments that were higher than his monthly disposable income.

As proportionate checks weren't carried out for these loans, I couldn't say for sure what they would've shown. Mr H had provided us with evidence of his financial circumstances at the time he applied for these loans. And I accepted that different checks might show different things – just because something showed up in the information Mr H provided, it didn't mean it would've shown up in any checks Quick Quid might've carried out. But in the absence of anything else from Quick Quid showing what information it gathered (and how it interpreted it), I believed that it was fair and reasonable to place weight on it as an indication of what Mr H's financial circumstances were likely to have been at the time.

But having considered the information Mr H provided, I didn't see anything in it to contradict the income and expenditure information Quick Quid obtained at the time of the applications. As this was the case, I remained of the opinion that Mr H didn't have sufficient disposable income to make the maximum repayment due on loan four and the second and third top-ups to loan five.

While these loans were to be repaid over three payments, Mr H's lending history with Quick Quid – in particular his need to borrow even more shortly after repaying loan three and his need to take out three top-ups loan five – led me to conclude Quick Quid could not fairly and reasonably rely on Mr H carrying disposable income from months one and two through to month three. So I didn't think Mr H did have enough to make the maximum monthly repayment due on those advances.

As this was the case, I was minded to say that not only did Quick Quid fail to carry out reasonable and proportionate checks before giving loan four and the second and third top-ups to loan five to Mr H, but that Mr H also lost out as a result of this.

My provisional decision then went on to explain that in addition to assessing the affordability of each *individual* loan provided to Mr H by Quick Quid, I also thought that it was fair and reasonable to look at the *overall pattern* of lending. In other words, I also had to consider the second of the three overarching questions I set out on page 2 of this decision. In considering this, I thought about the short-term purpose of this type of credit and the relevant rules, guidance and good industry practice at the time – which is summarised in the appendix at the end of this decision.

It seemed to me that there may come a point at which a responsible lender would reasonably question whether continuing to offer further short-term loans to a customer who appeared to be persistently reliant upon them was unsustainable or otherwise harmful. So I considered whether the overall pattern of lending could be shown to have increased Mr H's indebtedness in a way that was unsustainable or harmful in some other way.

I explained that Quick Quid gave Mr H seven loans in three separate blocks or "chains". And despite early warning signs in the second and third chains – such as the second loan being taken fairly soon after the first and neither being less than the initial amount of the first loan – I didn't think that Quick Quid ought to have been alerted to the fact that the pattern of Mr H's payday loans meant its lending had more likely than not become unsustainable.

I thought that a pattern was beginning to emerge after the second loan in the second and third chains. But as Quick Quid only gave Mr H a third loan, in the third chain, and this was for significantly less than the amount of the second loan in that chain, I didn't think that there was enough to say it ought fairly and reasonably to have regarded the emerging pattern, of Mr H's loans perhaps becoming unsustainable and otherwise harmful, as having become established. So I wasn't inclined to uphold Mr H's complaint on this basis.

Finally my provisional decision also went on to consider the third of the overarching questions set out on page 2 of this decision. And having carefully considered everything, I hadn't seen anything that led me to conclude Quick Quid had acted unfairly or unreasonably towards Mr H in some other way.

So overall and having carefully thought about the three overarching questions, set out on pages 2 and 3 of this decision, my provisional decision reached the conclusion that Quick Quid unfairly and unreasonably provided Mr H with loan four and the second and third top-ups to loan five.

I also thought that Mr H lost out – through having had to pay interest and charges – as a result of being given these advances when he shouldn't have been. So I set out a method of putting things right for Mr H which I believed addressed these failings and Mr H's resulting loss.

Quick Quid's response to my provisional decision

In response to my provisional decision, Quick Quid provided a response which:

- didn't agree that it shouldn't have provided Mr H with loan 4 and the second and third top-ups to loan 5 based on the enhanced checks performed prior to approving each loan;

- provided a 13 page document, which it says set out its entire lending process. This included:
    - all the checks performed prior to lending;
    - screenshots of customer applications;
    - a sample of the declaration a consumer had to tick to confirm they understood the highest repayment amount was greater than their estimated disposable income.
    - affordability checks and summarised the checks which it applied during the period Mr H was borrowing from Quick Quid.

Mr H's response to my provisional decision

Mr H responded to say that he thought my provisional decision was fair and that he was happy to go ahead. He also provided nothing further for me to think about.

my findings

I've considered all the available evidence and arguments provided from the outset, including the responses to my provisional decision, in order to decide what's fair and reasonable in the circumstances of this complaint.

In reaching my decision, I've taken into account the relevant law and regulations; relevant regulators' rules, guidance and standards; relevant codes of practice; and, where appropriate, what I consider to have been good industry practice at the time. I've set out all of this in the appendix to this decision.

Taking into account the relevant rules, guidance, good industry practice and law, I think that the three overarching questions that I set out in my provisional decision remain the ones I need to consider in deciding what's fair and reasonable in the circumstances of this complaint:

- Did Quick Quid, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay his loans in a sustainable way?
    - If not, would those checks have shown that Mr H would've been able to do so?
- Taking into account the short-term purpose of the loans provided, did the overall pattern of lending increase Mr H's indebtedness in a way that was unsustainable or otherwise harmful?
- Did Quick Quid act unfairly or unreasonably in some other way?

Quick Quid hasn't disagreed with my conclusion that the above questions are relevant to my determination of this complaint. And in truth having considered its response, I don't think that it has really engaged with the content of my provisional decision at all. In fact it seems to me that rather than respond to the particular arguments presented, Quick Quid has simply provided a generic document in the hope that it will persuade me to alter my conclusions. And it hasn't explained why its document is relevant here given the particular circumstances of Mr H's case.

Nonetheless, I have considered Quick Quid's response. And there are some points which, in a broad sense, have some relevance to Mr H's case. So I think it's worth me reflecting on them so as to give a proper sense of my thinking in reaching the decision I have on this case.

The final page of Quick Quid's document does set out that it considers the checks it carried (and still carries) out will always be proportionate in every circumstance. Indeed the response says that Quick Quid *"strongly believes that the procedures in place are solid and appropriate for any application".* It goes on to say that it considers each application for a loan as if it was a first time application. And it's unfair to say that its checks weren't proportionate simply because it didn't ask for bank statements as a matter of course.

I've carefully thought about what Quick Quid has said.

The first thing for me to say is that I didn't reach the conclusion loan four and the second and third top-ups to loan five shouldn't have been given to Mr H because Quick Quid didn't obtain bank statements before lending. For the avoidance of doubt, I wish to make it clear that Mr H's bank statements weren't a relevant consideration here. I made no mention of them in my provisional decision and I make no reference to them here.

Turning now to what Quick Quid says it does before providing a loan, I can't see how doing the same thing over and over again, irrespective of the circumstances, can always be proportionate. In my view, the use of the word proportionate – in the regulations and guidance - means there should always be a direct relationship between the circumstances of a *particular* loan application and the degree of information a lender will need to gather in order to make an informed decision. After all, an assessment of affordability is a borrower rather than lender focused test.

I'm also not necessarily persuaded by Quick Quid's argument that it considers each loan application as if it is a borrower's first. I say this because Quick Quid's document appears to suggest that it regards paid off loans, in themselves, as an indicator of better creditworthiness, rather than as an indicator further information should be obtained from the borrower. This to me suggests that Quick Quid believes a repeat borrower is more likely to find a later loan affordable simply because they might've paid off previous ones.

I think that this is concerning because even though the borrower might've paid off previous loans, Quick Quid won't necessarily know how they managed to do this. And without making further enquiries on this matter, I can't see how Quick Quid can regard simply paying off previous loans, or loan chains, as a reliable indicator that a borrower will be able to sustainably repay a future loan – especially bearing in mind the effect of paying high levels of interest over a more sustained period.

On pages two and three of this decision (and in my provisional decision), I explained that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to repay 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); and

- 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 ongoing use of these loans may signal that the borrowing had become, or was becoming, unsustainable).

As Quick Quid's checks don't adapt to any of these, or similar, circumstances, I can't agree that Quick Quid's checks will always be proportionate in every circumstance, as there's no correlation between the checks carried out and the circumstances of the individual loan application.

I'm also disappointed that Quick Quid has chosen not to respond to the questions posed in my provisional decision. For example, my provisional decision mentioned that Quick Quid's file said that Mr H had a gauge score of 462. But I had no way of knowing what this meant as there was no explanation of what this score represented or what maximum achievable score was.

The generic response Quick Quid has provided does say that the "gauge score" is a proprietary score with a higher value indicating better creditworthiness. But this still doesn't tell me what where 462 fits in on the scale. All it tells me is that 462 is a better score than a lower one. And as I explained in my provisional decision, I cannot and will not comb through various bits of coded information attempting to decipher or look for evidence to support Quick Quid's defence of Mr H's complaint. If Quick Quid is unable or unwilling to tell me what the data and scores it has provided shows about Mr H's ability to sustainably repay his loans and what it means then I can't and won't place much weight on it.

I also asked Quick Quid to clarify the discrepancies between its final response where it said that Mr H declared a monthly income of £4,000 and the information Quick Quid provided in its business file, which suggested he was earning substantially less than half this amount. But Quick Quid hasn't done this. And as it hasn't provided any clarification on this discrepancy, I simply can't agree that Mr H's monthly income was always more than enough to cover his repayment to each loan.

Quick Quid has also repeated the fact that Mr H would've declared that he understood the final repayment he had to make (for the two and three payment loans) was more than his monthly disposable income. And that he *"may need to save money over the life of the loan"* in order to make that repayment. But this isn't really new information, or something that I haven't already considered.

I already explained that that Mr H may well have been provided with such a warning in my provisional decision. And my decision to uphold the complaint about loan four and the second and third top-ups to loan five wasn't based on Quick Quid's failure to notify Mr H of a need to carry over disposable income to the second and third months.

The point I made in my provisional decision, and which I repeat here, is that given what had happened during the course of its lending history with Mr H – him taking loan four days after repaying loan three and taking top-ups on loan five, Quick Quid ought to have realised that it was unlikely Mr H would carry over disposable income into months two and three. By the time of the borrowing in question, Mr H's actions during the course of previous loans suggested it was unlikely that he'd be able to do this, even though he might've been aware that's what he needed to do so.

In these circumstances, I don't think it was reasonable and proportionate for Quick Quid to have ignored the reality of what Mr H's borrowing history was demonstrating in favour of any declaration he may have signed. Consequently I remain of the view that it was irresponsible for Quick Quid to provide loan four and the second and third top-ups to loan five because it ought to have realised that Mr H was unlikely to be able to sustainably make the final payment to these loans.

Overall and having carefully thought about the three overarching questions, set out on page 9 (as well as pages 2 and 3) of this decision, I think that Quick Quid unfairly and unreasonably provided Mr H with loan four and the second and third top-ups to loan five. I also think that Mr H lost out – through having had to pay interest and charges – as a result of being given these advances when he shouldn't have been. So I think that Quick Quid should fairly and reasonably put things right.

putting things right - what Quick Quid needs to do

In order to put things right for Mr H, Quick Quid should:

- refund all the interest and charges Mr H paid on loan four and the second and third top-ups to loan five; and
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement†;
- remove any adverse information recorded on Mr H'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 Mr H a certificate showing how much tax it's taken off if he asks for one.

I understand there was an outstanding balance on loan seven when Quick Quid provided its file on Mr H's complaint to us. If an outstanding balance remains then Quick Quid can deduct this from the compensation it now needs to pay Mr H for the second and third top-ups to loan five, as loan seven was part of the same chain of lending as loan five. But Quick Quid can't offset any outstanding balance from the compensation from loan four as this loan formed part of a separate chain of lending.

my final decision

For the reasons given above and in my provisional decision of 21 September 2018, I'm partially upholding Mr H's complaint. Casheuronet UK LLC (trading as "Quick Quid") 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 6 December 2018.

Jeshen Narayanan
ombudsman

appendix one – relevant considerations as set out in my provisional decision

A the legal and regulatory framework
B key publications and good industry practice

A the legal and regulatory framework

regulation by the Office of Fair Trading (up to 31 March 2014)

Quick Quid gave Mr H his first loan in the period up to the end of March 2014. During this time it needed a standard licence from the Office of Fair Trading ("OFT"), in order to carry out consumer credit activities.

Section 25(2) of the Consumer Credit Act set out the factors the OFT had to consider when deciding whether to grant a consumer credit licence to a lender. It said:

> *(1) In determining whether an applicant for a licence is a fit person for the purposes of this section the OFT shall have regard to any matters appearing to it to be relevant including (amongst other things)—*
>
> *(a) the applicant's skills, knowledge and experience in relation to consumer credit businesses, consumer hire businesses or ancillary credit businesses;*
>
> *(b) such skills, knowledge and experience of other persons who the applicant proposes will participate in any business that would be carried on by him under the licence;*
>
> *(c) practices and procedures that the applicant proposes to implement in connection with any such business;*
>
> *(d) evidence of the kind mentioned in subsection (2A)*
>
> (2A) *That evidence is evidence tending to show that the applicant, or any of the applicant's employees, agents or associates (whether past or present) or, where the applicant is a body corporate, any person appearing to the OFT to be a controller of the body corporate or an associate of any such person, has—*
>
> *(a) committed any offence involving fraud or other dishonesty or violence;*
>
> *(b) contravened any provision made by or under—*
>
> *(i) this Act;*
>
> *(ii) Part 16 of the Financial Services and Markets Act 2000 so far as it relates to the consumer credit jurisdiction under that Part;*
>
> *(iii) any other enactment regulating the provision of credit to individuals or other transactions with individuals;*

(c) *contravened any provision in force in an EEA State which corresponds to a provision of the kind mentioned in paragraph (b);*

(d) *practised discrimination on grounds of sex, colour, race or ethnic or national origins in, or in connection with, the carrying on of any business; or*

(e) engaged in business practices appearing to the OFT to be deceitful or oppressive or otherwise unfair or improper (whether unlawful or not) *[my emphasis]****.***

Section 25(2B) set out a direct example of the type of practice referred to in Section 25(2A(e)) and said:

For the purposes of subsection (2A)(e), the business practices which the OFT may consider to be deceitful or oppressive or otherwise unfair or improper include practices in the carrying on of a consumer credit business that appear to the ***OFT to involve irresponsible lending*** *[my emphasis].*

In March 2010, the OFT sought to produce clear guidance on the test for irresponsible lending for the purposes of section 25(2B) of the Consumer Credit Act 1974. And so it issued its guidance on irresponsible lending ("ILG").

So I consider the ILG to be of central importance in reaching a fair and reasonable outcome in Mr H's case.

The foreword to the guidance set out its purpose and it said:

The primary purpose in producing this guidance is to provide greater clarity for businesses and consumer representatives as to the business practices that the Office of Fair Trading (OFT) considers may constitute irresponsible lending practices for the purposes of section 25(2B) of the Consumer Credit Act 1974. It indicates types of deceitful or oppressive or otherwise unfair or improper business practices which, if engaged in by a consumer credit business, could call into consideration its fitness to hold a consumer credit licence.

Whilst this guidance represents the OFT's view on irresponsible lending, it is not meant to represent an exhaustive list of behaviours and practices which might constitute irresponsible lending.

Section two of the guidance sets out the general principles of fair business practice. Section 2.1 says:

In the OFT's view there are a number of overarching principles of consumer protection and fair business practice which apply to all consumer credit lending.

Section 2.2 of the guidance says:

In general terms, creditors should:

- *not use misleading or oppressive behaviour when advertising, selling, or seeking to enforce a credit agreement*

- *make a reasonable assessment of whether a borrower can afford to meet repayments in a sustainable manner*

- *explain the key features of the credit agreement to enable the borrower to make an informed choice*

- *monitor the borrower's repayment record during the course of the agreement, offering assistance where borrowers appear to be experiencing difficulty and*

- *treat borrowers fairly and with forbearance if they experience difficulties*

Section 2.3 lists other expectations of lenders. Amongst other things, it says:

In addition to the above there should be:

- *fair treatment of borrowers. Borrowers should not be targeted with credit products that are clearly unsuitable for them, subjected to high pressure selling, aggressive or oppressive behaviour or inappropriate coercion, or conduct which is deceitful, oppressive, unfair or improper, whether unlawful or not*

Borrowers who may be particularly vulnerable by virtue of their current indebtedness, poor credit history, or by reason of age or health, or disability, or for any other reason, should, in particular, not be targeted or exploited.

Section four of the guidance is concerned with the assessment of affordability that lenders were required to carry out before granting credit. Section 4.1 says:

In the OFT's view, all assessments of affordability should involve a consideration of the potential for the credit commitment to adversely impact on the borrower's financial situation, taking account of information that the creditor is aware of at the time the credit is granted. The extent and scope of any assessment of affordability, in any particular circumstance, should be dependent upon – and proportionate to – a number of factors (see paragraph 4.10 of this guidance document).

'Assessing affordability', in the context of this guidance, is a 'borrower-focussed test' which involves a creditor assessing a borrower's ability to undertake a specific credit commitment, or specific additional credit commitment, in a sustainable manner, without the borrower incurring (further) financial difficulties and/or experiencing adverse consequences.

Section 4.2 of the OFT guidance says:

Whatever means and sources of information creditors employ as part of an assessment of affordability should be sufficient to make an assessment of the risk of the credit sought being unsustainable for the borrower in question. In our view this is likely to involve more than solely assessing the likelihood of the borrower being able to repay the credit in question.

We consider that before granting credit, significantly increasing the amount of credit, or significantly increasing the credit limit under an agreement for running account credit, creditors should take reasonable steps to assess a borrower's likely ability to be able to meet repayments under the credit agreement in a sustainable manner.

"In a sustainable manner" is defined in Section 4.3 of the OFT guidance. And Section 4.3 says:

The OFT regards 'in a sustainable manner' in this context as meaning credit that can be repaid by the borrower:

- *without undue difficulty – in particular without incurring or increasing problem indebtedness*
- *over the life of the credit agreement or, in the case of open-end agreements, within a reasonable period of time*
- *out of income and/or available savings, without having to realise security or assets.*

Section 4.4 goes on to describe "undue difficulty" and says:

The OFT would regard 'without undue difficulty' in this context as meaning the borrower being able to make repayments (in the absence of changes in personal circumstances that were not reasonably foreseeable at the time the credit was granted):

- *while also meeting other debt repayments and other normal/reasonable outgoings and*
- *without having to borrow further to meet these repayments.*

Building on the proportionality principle set out in section 4.1, section 4.10 deals with the issues that might influence how detailed the affordability assessment should be. It includes factors such as:

- *the type of credit product;*
- *the amount of credit to be provided and the associated cost and risk to the borrower;*
    - *the borrower's financial situation at the time the credit is sought;*
    - *the borrower's credit history, including any indications of the borrower experiencing (or having experienced) financial difficulty*
    - *the vulnerability of the borrower*

Section 4.12 is a non-exhaustive list of the types and sources of information that a lender might use to assess affordability, including:

- *evidence of income*
- *evidence of expenditure*
- *records of previous dealings with the borrower*
- *a credit score*

- *a credit report from a credit reference agency*
- *information obtained from the borrower through a form or a meeting*

Section 4.16 specifically touches on the issue of proportionality in the context of short-term credit. It says:

Whilst the OFT accepts, as a general principle from a proportionality perspective, that the level of scrutiny required for small sum and/or short-term credit may be somewhat less than for large sum and/or long term credit, we consider that creditors should also take account of the fact that the risk of the credit being unsustainable would be directly related to the amount of credit granted (and associated interest / charges etc.) relative to the borrower's financial situation

Sections 4.18 to 4.33 of the ILG set out some examples of "specific irresponsible lending practices" relating to how businesses assess affordability. Section 4.20 says this would include where a lender is:

Failing to undertake a reasonable assessment of affordability in an individual case or cases

Section 4.21 gives another example:

Failing to consider sufficient information to be able to reasonably assess affordability, prior to granting credit, significantly increasing the total amount of credit provided, or significantly increasing the credit limit (in the case of a running account credit agreement)

And Section 4.26 says a business would be acting irresponsibly if:

Granting an application for credit when, on the basis of an affordability assessment, it is known, or reasonably ought to be suspected, that the credit is likely to be unsustainable.

Sections 4.29 and 4.31 deal with a lender's treatment of information disclosed by the customer. 4.29 says it would be an unsatisfactory business practice where a lender:

fail[s] to take adequate steps, so far as is reasonable and practicable, to ensure that information on a credit application relevant to an assessment of affordability is complete and correct.

And section 4.31 says it would be unsatisfactory for a lender to:

[Accept] an application for credit under circumstances in which it is known, or reasonably ought to be suspected, that the borrower has not been truthful in completing the application for credit with regards to the information supplied relevant to inform an assessment of affordability

Section 6 of the ILG sets out other "specific irresponsible lending practices" relating to lender behaviour once loan(s) have been agreed. Section 6.2 says it would be an unsatisfactory practice where a business is:

Failing to monitor a borrower's repayment record

Section 6.2 goes on to say:

The OFT considers that creditors should take appropriate action…when/if there are signs of apparent / possible repayment difficulties.

Section 6.25 focuses specifically on short-term credit products and says that it would be a “deceptive and/or unfair practice” where a lender is:

Repeatedly refinancing (or 'rolling over') a borrower's existing credit commitment for a short-term credit product in a way that is unsustainable or otherwise harmful.

Section 6.25 then goes on to say:

The OFT considers that this would include a creditor allowing a borrower to sequentially enter into a number of separate agreements for short-term loan products, one after another, where the overall effect is to increase the borrower's indebtedness in an unsustainable manner.

The general purpose of short-term loans, such as 'payday loans', is to provide borrowers with a cash advance until their next pay day and they are usually about 30 days, or just over, in duration. However, in certain circumstances, the borrower can elect to 'renew' the loan for a fee and delay payment for a further agreed period of time.

The purpose of payday loans is to act as a short-term solution to temporary cash flow problems experienced by consumers. They are not appropriate for supporting sustained borrowing over longer periods, for which other products are likely to be more suitable.

<u>Section 55B of the Consumer Credit Act 1974</u>

On 1 February 2011 the majority of the legislation implementing the provisions of the Consumer Credit Directive 2008 came into force. At this point the ILG was amended to reflect any changes required by the Consumer Credit Directive and an additional requirement on a lender to carry out an “Assessment of creditworthiness” was set out in section 55B of the Consumer Credit Act.

It’s important to note that both section 25 and section 55 remained in force until regulation of Consumer Credit providers passed to the FCA in April 2014.

Section 55B said:

Assessment of creditworthiness

55B *(1) Before making a regulated consumer credit agreement, other than an excluded agreement, the creditor must undertake an assessment of the creditworthiness of the debtor.*

(2) Before significantly increasing—

(a) the amount of credit to be provided under a regulated consumer credit agreement, other than an excluded agreement, or

(b) a credit limit for running-account credit under a regulated consumer credit agreement, other than an excluded agreement, the creditor must undertake

an assessment of the debtor's creditworthiness.

(3) A creditworthiness assessment must be based on sufficient information obtained from—

(a) the debtor, where appropriate, and

(b) a credit reference agency, where necessary.

(4) For the purposes of this section an agreement is an excluded agreement if it is—

(a) an agreement secured on land, or

(b) an agreement under which a person takes an article in pawn.".

By the time of loan 2 and for all of Mr H's subsequent loans (1 April 2014 onwards) this requirement to assess creditworthiness moved from S55B of the Consumer Credit Act, to the rules of the new regulator the Financial Conduct Authority.

<u>regulation by the Financial Conduct Authority (from 1 April 2014)</u>

Quick Quid gave Mr H loans 2 to 7 after regulation of Consumer Credit Licensees had transferred from the OFT to the Financial Conduct Authority ("FCA") on 1 April 2014. Quick Quid initially obtained interim permission to provide consumer credit before it went on to successfully apply for authorisation as a high-cost short-term credit provider. Quick Quid's interim permission to provide consumer credit and its eventual authorisation to do so meant that it was subject to the FCA rules and regulations from 1 April 2014.

- *the FCA Principles for Business ("PRIN")*

The FCA's Principles for Business set out the overarching requirements which all authorised firms are required to comply with.

PRIN 1.1.1G, says

The Principles apply in whole or in part to every firm.

The Principles themselves are set out in PRIN 2.1.1R. And the most relevant principle here is PRIN 2.1.1 R (6) which says:

A firm must pay due regard to the interests of its customers and treat them fairly.

- *the Consumer Credit sourcebook ("CONC")*

This sets out the rules which apply to providers of consumer credit like Quick Quid. CONC also replaced the requirements set out in Section 55B CONC 5 sets out a firm's obligations in relation to responsible lending. And CONC 6 sets out a firm's obligations after a consumer has entered into a regulated agreement.

It's clear there is a high degree of alignment between the OFT's Irresponsible Lending Guidance and the rules set out in CONC 5 and CONC 6. As is evident from the following extracts, the FCA's CONC rules specifically note and refer back to sections of the OFT's *Irresponsible Lending Guidance* on many occasions.

Section 5.2.1R(2) of CONC sets out what a lender needs to do before agreeing to give a consumer a loan of this type. It says a firm must consider:

(a) the potential for the commitments under the regulated credit agreement to adversely impact the customer's financial situation, taking into account the information of which the firm is aware at the time the regulated credit agreement is to be made; and

*[**Note**: paragraph 4.1 of ILG]*

(b) the ability of the customer to make repayments as they fall due over the life of the regulated credit agreement, or for such an agreement which is an open-end agreement*, to make* repayments *within a reasonable period.*

*[**Note**: paragraph 4.3 of ILG]*

CONC also includes guidance about 'proportionality of assessments'. CONC 5.2.4G(2) says:

A firm should consider what is appropriate in any particular circumstances dependent on, for example, the type and amount of credit being sought and the potential risks to the customer. The risk of credit not being sustainable directly relates to the amount of credit granted and the total charge for credit relative to the customer's financial situation.

*[**Note**: paragraph 4.11 and part of 4.16 of ILG]*

CONC 5.3 contains further guidance on what a lender should bear in mind when thinking about affordability. And CONC 5.3.1G(1) says:

In making the creditworthiness assessment or the assessment required by CONC 5.2.2R (1), a firm should take into account more than assessing the customer's ability to repay the credit.

*[**Note**: paragraph 4.2 of ILG]*

CONC 5.3.1G(2) then says:

The creditworthiness assessment and the assessment required by CONC 5.2.2R (1) should include the firm taking reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences.

*[**Note**: paragraph 4.1 (box) and 4.2 of ILG]*

In respect of the need to double-check information disclosed by applicants, CONC 5.3.1G(4) has a reference to paragraphs 4.13, 4.14, and 4.15 of ILG and states:

(b) it is not generally sufficient for a firm to rely solely for its assessment of the customer's income and expenditure on a statement of those matters made by the customer.

And CONC 5.3.7R says that:

A firm must not accept an application for credit under a regulated credit agreement where the firm knows or ought reasonably to suspect that the customer has not been truthful in completing the application in relation to information supplied by the customer relevant to the creditworthiness assessment or the assessment required by CONC 5.2.2R (1).

*[**Note**: paragraph 4.31 of ILG]*

CONC 6.7 sets out a firm's obligations in relation to its post contract business practices. CONC 6.7.21G, CONC 6.7.22G and CONC 6.7.23R contained specific obligations for high-cost short-term credit providers like Quick Quid.

CONC 6.7.21G says:

A firm should not refinance high-cost short-term credit where to do so is unsustainable or otherwise harmful.

*[**Note**: paragraph 6.25 of ILG]*

CONC 6.7.22G says:

A firm should not allow a customer to enter into consecutive agreements with the firm for high-cost short-term credit if the cumulative effect of the agreements would be that the total amount payable by the customer is unsustainable.

*[**Note**: paragraph 6.25 (box) of ILG]*

Section 6.25 of the ILG is set out on pages four and five of this decision and is concerned with what the OFT referred to as 'deceptive and/or unfair practices'.

CONC 6.7.23R (which applied from 1 July 2014) says:

A firm must not refinance high-cost short-term credit (other than by exercising forbearance) on more than two occasions.

CONC 6.7.17R defines refinancing and says:

(1) In CONC 6.7.18 R to CONC 6.7.23 R "refinance" means to extend, or purport to extend, the period over which one or more repayment is to be made by a customer whether by:

(a) agreeing with the customer to replace, vary or supplement an existing regulated credit agreement;

(b) exercising a contractual power contained in an existing regulated credit agreement; or

(c) other means, for example, granting an indulgence or waiver to the customer.

(2) *"Exercise forbearance" means to refinance a regulated credit agreement where the result is that no interest accrues at any time in relation to that agreement or any which replaces, varies or supplements it from the date of the refinancing and either:*

   (a) *there is no charge in connection with the refinancing; or*

   (b) *the only additional charge is a reasonable estimate of the actual and necessary cost of the additional administration required in connection with the refinancing.*

(3) *The term "refinance" within paragraph (1) does not include where under a regulated credit agreement repayable in instalments a customer requests a change in the regular payment date and as a result there is no charge or additional interest in connection with the change.*

<u>*Section 140 of the Consumer Credit Act 1974*</u>

All of Mr H's loans were given to him after Section 140 of the Consumer Credit Act came into force on 6 April 2007. Section 140A sets out circumstances where the court may determine that the relationship between a creditor and a debtor is unfair to the debtor. Section 140A says:

140A Unfair relationships between creditors and debtors

(1) *The court may make an order under section 140B in connection with a credit agreement if it determines that the relationship between the creditor and the debtor arising out of the agreement (or the agreement taken with any related agreement) is unfair to the debtor because of one or more of the following-*

   (a) *any of the terms of the agreement or of any related agreement;*

   (b) *the way in which the creditor has exercised or enforced any of his rights under the agreement or any related agreement;*

   (c) *any other thing done (or not done) by, or on behalf of, the creditor (either before or after the making of the agreement or any related agreement).*

(2) *In deciding whether to make a determination under this section the court shall have regard to all matters it thinks relevant (including matters relating to the creditor and matters relating to the debtor).*

(3) *For the purposes of this section the court shall (except to the extent that it is not appropriate to do so) treat anything done (or not done) by, or on behalf of, or in relation to, an associate or a former associate of the creditor as if done (or not done) by, or on behalf of, or in relation to, the creditor.*

(4) *A determination may be made under this section in relation to a relationship notwithstanding that the relationship may have ended.*

(5) *An order under section 140B shall not be made in connection with a credit agreement which is an exempt agreement [for the purposes of Chapter 14A of*

Part 2 of the Regulated Activities Order by virtue of article 60C(2) of that Order (regulated mortgage contracts and regulated home purchase plans)]

Section 140B sets out the types of order the court could make should it determine that the relationship between the creditor and debtor is unfair to the debtor. Section 140B says:

140B Powers of court in relation to unfair relationships

(2) An order under this section in connection with a credit agreement may do one or more of the following—

(a) require the creditor, or any associate or former associate of his, to repay (in whole or in part) any sum paid by the debtor or by a surety by virtue of the agreement or any related agreement (whether paid to the creditor, the associate or the former associate or to any other person);]

(b) require the creditor, or any associate or former associate of his, to do or not to do (or to cease doing) anything specified in the order in connection with the agreement or any related agreement;

(c) reduce or discharge any sum payable by the debtor or by a surety by virtue of the agreement or any related agreement;

(d) direct the return to a surety of any property provided by him for the purposes of a security;

(e) otherwise set aside (in whole or in part) any duty imposed on the debtor or on a surety by virtue of the agreement or any related agreement;

(f) alter the terms of the agreement or of any related agreement;

(g) direct accounts to be taken, or (in Scotland) an accounting to be made, between any persons.

B key publications and good industry practice

The ILG and CONC set out the regulatory framework that regulated/authorised consumer credit providers have to adhere to. But they represent a minimum standard for firms. And I'm also required to take into account any other guidance, standards, relevant codes of practice, and, where appropriate, what I consider to have been good industry practice.

the OFT's Payday Lending Compliance Review Final Report

The OFT published its "Payday Lending Compliance Review Final Report" in March 2013.

The purpose of the review was "…to establish the extent to which payday lenders [were] complying with the Consumer Credit Act, other legislation and [were] meeting the standards set out in the ILG."

The review sought to highlight examples of what the OFT considered poor practice and evidence of non-compliance with the relevant law and failure to meet the minimum standards expected. The analysis was also put together to help the FCA's work on payday lending ahead of it assuming responsibility for regulating the sector from April 2014.

The report began with an overview section setting out the OFT's concerns. Page two of the report says that the OFT:

…is particularly concerned by the evidence of irresponsible lending; too many people are given loans they cannot afford, and when they can't repay are encouraged to extend them, exacerbating their financial difficulties This is causing real misery and hardship for a significant number of payday users

Page three of the report says:

Our evidence paints a concerning picture of the payday lending market. It appears that irresponsible lending is not a problem confined to a few rogue traders, but it has its roots in the way competition works in this market. The evidence suggests that many consumers are in a weak bargaining position, and that firms compete on speed of approval rather than price

It then goes on to say:

Additionally, firms describe and market their product to consumers as one-off short term loans (costing on average £25 per £100 borrowed for 30 days), but in practice around half the revenue comes from loans which last longer and cost a lot more because they are rolled over or refinanced. Lenders do not need to compete hard for this source of revenue because by this time they have a captive market. This, and the misuse of continuous payment authorities to reclaim monies owed, may distort incentives for lenders, encouraging them to make loans to people who cannot afford to repay them first time.

the Consumer Finance Association Lending Code for Small Cash Advances

The principal trade association representing the interests of short-term lending businesses operating in the United Kingdom is the Consumer Finance Association ("CFA"). The CFA published its Lending Code for Small Cash Advances ("the code") in July 2012.

I accept that Quick Quid wasn't a member of the CFA at the time – although I understand that it is now. But as the code was published by the main trade association representing short-term lenders, I consider it to be indicative of the standards of good industry practice expected of lenders such as Quick Quid at the time.

What's more, most of the relevant parts of this code went on to be included in the 'Good Practice Customer Charter Payday and Short-term Loans' which members of all the relevant trade associations signed up to just four months later, in November 2012.
Section 1 of the code sets out its purpose. Section 1b says:

Members of the Consumer Finance Association offer small cash loans predominantly from high street outlets or online

Section 1c says:

This type of loan allows customers to borrow a relatively small amount of money, (usually between £50 and £1000) which they repay over a short period (typically one or two months). The loan is not designed for longer term borrowing, but to improve short term personal cash flow

And Section 1d says:

The purpose of this Code is to ensure compliance by members with the minimum standards set by the Association, as specified in the Code, and accordingly protects and benefit consumers

Section 3 sets out the general obligations expected of lenders. Amongst other things Section 3 says members shall:

> *b) trade honestly, responsibly and treat customers with respect.*
>
> *l) ensure fairness in all dealings with customers including, but not limited to, their dealings with customers both before and after the making of the agreement and the manner in which those agreements are enforced.*

Section 4 of the code sets out a lender's specific lending obligations. Part (a) of this section is concerned with advertising and marketing and amongst other things, it says:

> *iii) members shall ensure all advertising is truthful and not misleading and raise awareness to the short term nature of the loan.*

Part (d) of section 4 is concerned with pre-contractual information. And it, amongst other things, says:

> *v) members shall provide explanations to the customer, to enable them to assess whether the proposed credit agreement is appropriate to their circumstances by explaining…:*

- *that small cash loans are intended to improve short term cash flow, and therefore not suitable for longer term borrowing.*