

complaint

Mr B has complained about a number of payday loans and a flex account he took out with CashEuroNet UK LLC (trading as Quick Quid) from June 2010 until December 2014. He says that the Quick Quid loans weren't affordable and so it shouldn't have lent to him.

background

Mr B borrowed 25 payday loans and one flex account (loan number 26) from Quick Quid and his full borrowing history is shown in the appendix to this decision.

Quick Quid told Mr B in its final response letter that it believed sufficient checks were carried out and based on the information that it had to hand it felt the loans were affordable. However, in order to bring this matter to a close, it offered a goodwill payment of £200, which Mr B rejected.

After this service became involved Quick Quid explained that taking into account the fluctuating amount Mr B was borrowing and some of the small gaps between lending this could've indicated Mr B was having difficulty repaying his loans. So, Quick Quid offered to refund the interest on loans 8, 9, 10, 18, 19 and 23 (loans highlighted in the appendix). However, Mr B declined the new offer.

An adjudicator reviewed the complaint and didn't think that the checks carried out by Quick Quid were proportionate for some of the loans. He felt the checks carried out on loans one and two went far enough considering the amount Mr B had borrowed compared to the income he declared to Quick Quid.

But the adjudicator didn't think proportionate checks had been carried out on the remaining borrowing because Mr B was borrowing larger sums and was borrowing consistently from Quick Quid.

The adjudicator looked at Mr B's bank statements and could see that his normal living costs were more than his income and he was also spending a significant amount on gambling. The adjudicator could see this pattern continued during the time Mr B was borrowing from Quick Quid. So he felt that had sufficient checks been carried out Quick Quid wouldn't have lent to Mr B.

Mr B agreed with the adjudicator's assessment but Quick Quid didn't. It said that there were breaks of between 14 and 98 days between some of the loans which would show that Mr B wasn't dependent on the loans.

Quick Quid explained that the credit checks are performed before each loan and the affordability assessment takes into account a number of different factors. But having looked at his loans the total interest paid by Mr B was 25% of the total principal borrowed which is less than the current rate cap. It also explained that it considered Mr B's repayment history – which was good as he hadn't incurred any late fees.

Quick Quid pointed out that the guidance from the regulator at the time (the Office of Fair Trading) says that checks may well be less for small, short term lending compared to secured credit and that the same checks performed on loan one were performed on loan 25. And overall, while the offer to refund some of the loans still stands it considers it was reasonable to lend to Mr B. But Quick Quid said its previous offer remained available to Mr B.

No agreement could be reached so the case has been passed to me for a final decision. But Quick Quid has already offered to refund some of the loans so I'll concentrate in this decision on the loans where no offer has been made.

my 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 carefully thought about everything I've been given and having done so, I'm partly upholding Mr B's complaint and I'll explain why below in more detail.

Quick Quid had to gather enough information to be able to make an informed decision as to whether it was going to lend. But the guidance and rules don't set out what checks must be done before lending is approved. But Quick Quid needed to conduct enough checks to make sure the loan was affordable to Mr B. And these checks needed to be proportionate to a number of things such as the size of the loan and when the loan was due to be repaid.

But even if the checks Quick Quid carried out weren't proportionate, that alone doesn't mean Mr B's complaint should be upheld. I say this because, it's possible, had further checks been carried out by Quick Quid they would've shown Mr B was able to repay his loans. So Quick Quid wouldn't have been wrong to lend him the money.

Quick Quid says that it conducted affordability and credit checks. These checks incorporated current financial commitments, credit enquires, credit scoring information from credit reference agencies and other third party reports. Quick Quid can't show me exactly what it saw when it conducted these checks, but it has given me the results from the last credit check that it carried out.

I appreciate that Quick Quid says that Mr B showed a good repayment history and didn't incur any late fees and some of the loans were repaid early. But Mr B deferred payment on a number of loans, and on one loan he deferred repayment five times. And given the number of loans Mr B took and the relatively short space of time between these loans, I think this would've indicated that he had become reliant on borrowing from Quick Quid.

For the first loan I think the checks Quick Quid carried out went far enough. This was Mr B's first loan with Quick Quid and the amount he was borrowing was small compared to his income. This means I think it was reasonable for Quick Quid to have relied on the information that it was given. So I'm not going to be asking Quick Quid to undertake any further action in relation to this loan.

However, Mr B's second loan was taken out shortly after the first loan had been repaid and his borrowing had also increased from the first loan. I've taken into account the checks Quick Quid says it would've carried out but I don't think that was enough. I'd have considered proportionate checks at this time to have included asking Mr B about his regular outgoings and other financial commitments. So I don't think for loan two the checks for loan went far enough.

Quick Quid has shown us the information it collected about Mr B's outgoings in 2015. Mr B has also told this service that his outgoings during the time he was borrowing from Quick Quid remained broadly similar – and this is backed up by his bank statements. So I think that had Quick Quid carried out proportionate checks it still would've lent to Mr B because it would've seen the loan was affordable based on what Mr B would've likely told it. So I won't be asking Quick Quid to take any further action for the second loan.

For loan three Quick Quid says that it would've carried out affordability and credit checks, but it can't show me what it saw. But I don't think those checks went far enough. Mr H was lent around 50% of his declared income, and the amount he was borrowing from Quick Quid had significantly increased. So I think Quick Quid ought to have thought carefully about whether the checks it was carrying at the time were enough. Given what Quick Quid knew at the time, I'd have expected it to have a full understanding of Mr H's living costs, credit commitments and other short term loans Mr B may have had. Quick Quid could've done this a number of ways such as asking some detailed questions or by asking to see Mr B's bank statements.

I've used Mr B's bank statements – which may not have shown up everything Quick Quid would've seen. But the bank statements are the best indication of Mr B's ability to repay the loans at the time, so I don't think it's unreasonable to rely on these.

Having looked at Mr B's bank statements I don't think he had the ability to repay the loan. While the monthly income Quick Quid has recorded is broadly correct it's clear from the statements that Mr H was struggling. When Quick Quid approved the payday loans Mr B was regularly spending more than his income each month on living costs and gambling. And given that Mr H would've had to pay back a sizeable amount of his income to Quick Quid this wouldn't have left him with enough disposable income to meet his day to day living costs. So had Quick Quid undertaken proportionate checks this would've been brought to its attention and it wouldn't have lent to Mr B.

Quick Quid has told us that it carried out the same checks on all of the loans, so looking at the remaining loans (4-25) I can see that Mr B continued to borrow sizeable sums of money compared to his income and was regularly borrowing from Quick Quid. So it's for these reasons I don't think the checks carried out by Quick Quid went far enough. I'd have considered Quick Quid to have wanted to fully understand Mr B's financial situation before lending to him, which it could've got by asking to see his bank statements.

Having reviewed Mr B's bank statements over this period his financial situation doesn't change. His income remains broadly the same and his outgoings also remain broadly similar. And I can also see that he is spending significant amounts on gambling each month – which Quick Quid would've been aware of at the time had it carried out proportionate checks. So taking all of this into account I don't think the loans were affordable and had proportionate checks been carried out Quick Quid wouldn't have lent to Mr B.

I appreciate that some of the loans were for lower value (such as loan 11 and 20). But even taking into account the smaller loans, Mr B didn't have enough disposable income to be in a position to repay Quick Quid. And because I don't consider proportionate checks were carried out, Quick Quid wouldn't have lent to him.

Turning to the flex account, I appreciate that this was taken out nearly three months after the last payday loan was repaid. But I don't think that this is a large enough break to suggest that Mr B's financial position had significantly improved or that he was no longer reliant on short term lending.

The flex credit account, had a principal limit of £1,500 and I can see from Quick Quid's email chain that for the first few repayments Mr B had to repay the full balance in one payment – so the account was being run like a payday loan. But I can see on later drawdowns that Mr B had a number of months to make the repayments.

Given what Quick Quid knew at the time I don't think the checks it carried out were proportionate. I say this because given the length of time Mr B had been consistently borrowing from Quick Quid I'd have thought Quick Quid would've wanted to have a full understanding of Mr B's financial situation.

I've again reviewed Mr B's bank statements and given the size of some of the monthly repayments compared to Mr B's income as well as his regular outgoings Mr B didn't have enough disposable income in which to make his loan repayment. Even taking into account that Mr B (for some months) could've made smaller repayments in order to clear the balance – when I've consider Mr B's outgoings and what he was spending on gambling I don't think the flex account was affordable.

what Quick Quid should do to put things right

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

- refund all the interest and charges applied to borrowing from and including loan 3 to loan 25 and the flex credit account (26),
- 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 B's credit file because of these loans.

†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 final decision

For the reasons given above, I partly uphold Mr B's complaint.

Casheuronet UK LLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 May 2017.

Robert Walker
ombudsman

Appendix

Loan number	Loan / top up amount	Received date	Loan Closure date	Deferrals
1	£300	15/06/2010	30/06/2010	
2	£450	13/07/2010	30/07/2010	
3	£1,300	04/08/2010	30/09/2010	1
4	£500	07/10/2010	29/10/2010	
5	£700	08/11/2010	30/11/2010	
6	£1,000	10/12/2010	22/12/2010	
7	£1,100	31/12/2010	31/01/2011	
8	£1,000	03/02/2011	28/04/2011	1
9	£1,500	30/04/2011	31/10/2011	5
10	£1,500	31/10/2011	07/11/2011	
11	£300	10/11/2011	30/11/2011	
12	£800	30/11/2011	21/12/2011	
13	£1,500	31/12/2011	31/01/2012	
14	£1,500	31/01/2012	07/03/2012	
15	£1,000	13/06/2012	31/07/2012	
16	£1,500	31/07/2012	02/08/2012	
17	£600	04/11/2012	30/11/2012	
	£400	17/11/2012		
18	£1,500	02/12/2012	31/01/2013	1
19	£200	10/03/2013	08/04/2013	
	£200	11/03/2013		
	£1,100	17/03/2013		
20	£200	13/04/2013	30/04/2013	
	£300	20/04/2013		
21	£1,500	30/04/2013	15/05/2013	
22	£1,500	27/05/2013	28/06/2013	
23	£1,500	29/06/2013	30/08/2013	1
24	£1,500	01/09/2013	07/10/2013	1
25	£1,500	31/10/2013	25/11/2013	
26 (flex account)	£1,500	16/02/2014	27/03/2015	
	£1,500	04/03/2014		
	£1,500	31/03/2014		
	£1,150	09/04/2014		
	£200	16/04/2014		
	£150	20/04/2014		
	£150	08/06/2014		
	£300	22/06/2014		
	£1,500	07/07/2014		
	£300	09/08/2014		

	£300	10/08/2014	
	£250	11/08/2014	
	£100	12/08/2014	
	£550	14/08/2014	
	£700	10/09/2014	
	£300	14/09/2014	
	£500	21/09/2014	
	£500	10/10/2014	
	£600	14/10/2014	
	£400	18/10/2014	
	£350	21/11/2014	
	£200	26/11/2014	
	£200	13/12/2014	
	£600	16/12/2014	
	£1,500	30/12/2014	