

complaint

Mr C complains that Casheuronet UK LLC (trading as Pounds to Pocket and Quick Quid) gave him loans he couldn't afford to repay. He asks that it writes off the debt, corrects his credit file and pays compensation.

background

Mr C took five loans from Quick Quid from August 2012 to January 2013 and one instalment loan from Pounds to Pocket in January 2013. He says if proper checks had been done, Casheuronet would have seen he'd defaulted on credit card accounts, was in arrears on other debts and had payday loans. It didn't ask about his mental health issues and took advantage of him.

The adjudicator recommended that the complaint should be upheld, saying:

- When Mr C took out the first loan with Quick Quid in August 2012 he had two defaults on his credit file. This suggested financial problems. Casheuronet only asked for Mr C's income and this wasn't enough to establish that the loan was affordable. It should have asked for his expenses. Had it done so, it would have seen the loan wasn't affordable. The adjudicator said it's likely the credit search done by Casheuronet before the last loan, in January 2013, showed Mr C had taken out 15 payday loans since August 2012.
- Pounds to Pocket did a credit check in September 2012 before giving Mr C an instalment loan in January 2013. It should have updated its checks. Had it done so, it would have seen Mr C took out 14 loans in that time. This suggested he was in financial difficulties and reliant on short term borrowing.

The adjudicator recommended that Casheuronet refund all interest and charges, with 8% interest, and remove the loans from Mr C's credit file.

Casheuronet didn't agree. It said it wasn't required to retain expenditure as part of the affordability process when the loans were taken out. It said having other payday loans didn't make Mr C ineligible for a loan. Mr C repaid four of his Quick Quid loans early, suggesting they were affordable. It said it did update its credit search before giving Mr C the instalment loan in January 2013. The instalments were a small percentage of Mr C's monthly income.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In August 2012 Mr C told Quick Quid his net monthly income was £925. It did a credit check. While there's no requirement for Quick Quid to ask for Mr C's outgoings, it does have to assess whether a loan is affordable using suitable information. The first loan was for £450, almost half of Mr C's stated income. Given the size of the loan and Mr C's income, I don't think the checks made were sufficient. I think Quick Quid should have asked about his expenditure to assess whether the loan was affordable.

Mr C's bank statements show mortgage payments of £290 and payments to utility companies of about £100 each month. They show payments to debt collectors (£50 in July and £250 in the first half of August 2012). The bank statements also show payments for

online gambling (over £200 in July and £500 in the first half of August 2012). While Mr C sometimes won this didn't offset the costs. I don't think Mr C had enough disposable income to repay the loan and meet his living expenses. Quick Quid says Mr C repaid some loans early, suggesting they were affordable. But Mr C took out more payday loans and I think this is how he repaid the loans. I don't think the Quick Quid loans were affordable or sustainable.

Casheuronet says it updated Mr C's credit search before giving him the instalment loan in January 2013. It's likely it knew about Mr C's payday loans and other debts. I think the number of loans taken out by Mr C should have alerted it to a possible problem and the need for further checks. In December 2012, Mr C's bank statements show he paid £250 to debt collectors, £2,800 to payday lenders and spent over £900 on gambling. Further borrowing, even repayable in instalments, wasn't affordable or sustainable.

I think it's fair and reasonable that Casheuronet refunds any interest and charges applied to all the loans, with interest at 8% simple per year. It should deduct the refund from any capital outstanding and pay Mr C any balance.

If an unpaid balance remains after the refund, Mr C should repay this as he's had use of the money. If his financial circumstances make this difficult, he should contact Casheuronet about agreeing a suitable repayment plan. Once repaid, Casheuronet should remove information about the loans from Mr C's credit file.

my final decision

My decision is that I uphold this complaint. I order Casheuronet UK LLC to:

- refund all interest and charges applied to the loans plus pay interest at 8% simple per year from the date each sum was paid until the date of settlement. This should be offset against any outstanding capital sum; and
- once repaid, remove information about the loans from Mr C's credit files.

If tax is deducted from the 8% interest awarded, appropriate documentation should be provided to Mr C for HMRC purposes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 October 2016.

Ruth Stevenson
ombudsman