

complaint

Mr C complains that CashEuroNet UK LLC (trading as QuickQuid) gave him loans that he couldn't afford to repay.

background

Mr C took his first loan from QuickQuid in July 2011. The loan was for £400. It appears that he rolled that loan over three times before repaying it in October 2011. He took his second loan – for £550 – on the same day his first loan was repaid. Mr C rolled that loan over five times before repaying it in April 2012.

Mr C took his final loan – for £600 – on the same day he repaid his second loan. He also took two further advances on this loan, each of £200, taking the total amount of capital he had to repay to £1,000. He seems to have had problems in repaying this loan. He incurred a total of three late payment charges on his loan before telling QuickQuid he was facing difficulties. In line with its responsibilities QuickQuid stopped charging interest and fees on the loan and allowed Mr C to repay it over an extended period of time. The loan was finally closed in April 2015.

Mr C complained to QuickQuid about these loans. Although the lender didn't accept it had done anything wrong it offered him a small goodwill payment. Mr C wasn't happy with that offer so he brought his complaint to us. Our adjudicator assessed the complaint and thought that QuickQuid shouldn't have given any of the loans to Mr C. QuickQuid then offered to refund the interest and charges on the third loan. But our adjudicator didn't think this was a fair offer – she still thought the other two loans needed to be addressed. QuickQuid still disagreed with that final assessment so the complaint has been passed to an ombudsman to decide. This is the final stage of our process. If Mr C accepts my decision it is legally binding on both parties.

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

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr C could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr C was borrowing and his lending history, but there was no set list of checks QuickQuid had to do.

QuickQuid has told us about the checks it did when assessing Mr C's applications. It says that it did a search with a credit reference agency and I can see that it did this sort of check twice – once when Mr C took his first loan, and later when he was asking for his second rollover on his second loan. But it has only been able to give us a summary of the results from the second check it did.

QuickQuid also says that it asked Mr C about his normal monthly income. I can see that it recorded this information in April 2010 – over a year before Mr C took his first loan. But QuickQuid says that Mr C would have been asked to confirm this information was still correct before he took each of his loans.

The loan amounts that Mr C took increased each time. But even the first loan was for a substantial amount of money. So I'd have expected the lender to do more than just check Mr C's income and credit file. And I don't even know what information the lender saw when it did those checks. So I can't safely conclude that the checks QuickQuid did, at the time of each of Mr C's loan applications, were enough.

So I've gone on to consider what information QuickQuid would have been able to rely on if it had asked Mr C for more information about his financial situation. To do that I've looked at his bank statements from the time. And I've also considered a detailed budget planner that he completed when he was facing financial difficulties in 2012. Although I appreciate that is up to a year after QuickQuid was lending to him, I think it shows a good approximation of what his living costs were at the time he took the loans.

From that information I can see that Mr C was earning quite a bit less than he'd told QuickQuid in 2010. I don't know what his situation was in 2010 – it's possible he was earning more. Or it's possible he inflated his income when he recorded it. But in either case, I think that QuickQuid would have discovered the real position if it had done better checks when it was lending to Mr C in 2011.

By the time Mr C took his first loan he was already borrowing heavily from other payday lenders – it doesn't seem that was something that QuickQuid asked him about. And considering what he needed to repay on those loans, along with his normal living costs, he couldn't afford to repay the loan he took from QuickQuid without borrowing further. And that would have still been the case even if Mr C's income had been as high as QuickQuid recorded it. So I don't think QuickQuid should have agreed to lend to Mr C in July 2011.

Mr C did struggle to repay his loan – he needed to roll it over three times. And then he asked QuickQuid for a bigger loan on the same day he repaid it. I think all this together should have led the lender to undertake ever greater checks on Mr C's ability to repay his borrowing. Mr C's financial situation hadn't improved – if anything it had got worse. So this loan wasn't affordable for him either. And the same applies to the final loan he took – on the same day he repaid a loan that had been rolled over five times.

QuickQuid has highlighted that Mr C did spend some of his money on what seem to be gambling transactions. It has said that Mr C could have used this money to meet more essential spending needs. I don't think it is right for me to make judgements on what a consumer chooses to spend their money on. And in this case it doesn't matter – even without the gambling transactions I don't think the loans were affordable for Mr C.

So I uphold his complaint and require QuickQuid to pay him some compensation.

putting things right

I don't think that QuickQuid should have given Mr C any of the loans it did – in July and October 2011 and in April 2012. So CashEuroNet should;

- Refund any interest and charges applied to each loan.
- 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 C's credit file in relation to the loans.

*HM Revenue & Customs requires CashEuroNet UK to take off tax from this interest. CashEuroNet UK must give Mr C a certificate showing how much tax it's taken off if he asks for one.

my final decision

My final decision is that I uphold Mr C's complaint and I direct CashEuroNet UK LLC to pay him compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 December 2016.

Paul Reilly
ombudsman