complaint

Mr C complains that CashEuroNet UK LLC, trading as Quick Quid, gave him loans he couldn't afford to repay.

background

Our adjudicator upheld this complaint. Quick Quid disagreed and asked for an ombudsman to make a decision.

I issued a provisional decision on 1 September 2017, explaining why I thought Mr C's complaint should be upheld. I've attached it here and it forms part of my final decision. I've also summarised my findings below.

In my provisional decision I noted that Mr C had two loans with Quick Quid. I said the first loan (*loan one*) was taken on 23 February 2013, when Mr C borrowed £350. Mr C had to repay £548.86 across three instalments in March, April and May 2013. And the second loan (*loan two*) was a 'flex credit' account which opened on 31 October 2013. It allowed Mr C to draw down up to £700 and to repay the amount borrowed in flexible instalments.

I also noted that Mr C had three loans with Quick Quid's sister company in between loans one and two – which I intended to take into account when deciding his complaint.

My provisional finding was that Quick Quid hadn't carried out proportionate affordability checks for either loan – and that if it had carried out proportionate checks, it would've established that neither loan was affordable.

In relation to loan one, I thought it would've been reasonable for Quick Quid to ask Mr C for more information about his income and monthly outgoings – such as his normal living costs and other credit commitments (including other payday loans) – in order to establish that the loan could be repaid from sustainable sources. I thought that if Quick Quid had asked Mr C about these things, it would've seen that his entire income and more would've already been allocated to paying other debts – meaning the loan instalments weren't affordable.

I also thought Quick Quid should've carried out further checks before agreeing to loan two. As with loan one, I thought it should've asked Mr C for information about his normal living costs and other credit commitments, including other payday loans. And I also thought it should've taken further proportionate steps to *verify* this information – which I had done, as far as possible, by looking at his bank statements.

I thought if Quick Quid had done this, it would've seen that Mr C was spending a lot of money (via an electronic payment service) on what it would've suspected was most likely gambling. And even if it wasn't sure Mr C was spending a great deal on gambling, I thought the alternative would be that Quick Quid would've been concerned that it couldn't account for much of Mr C's expenditure. So it wouldn't have been able to determine if the loan was affordable or not. And I thought it wouldn't have lent to him for that reason too.

I also thought proportionate checks for loan two would've revealed to Quick Quid Mr C's apparent dependence on short-term lending and allowed it to see how much he was borrowing from other short-term lenders. Together with what it knew about Mr C's income, general living costs and regular credit commitments, I thought this would've given Quick Quid further reason to question how appropriate it was to lend to Mr C again.

responses to my provisional decision

Mr C said he didn't have anything else to add. Quick Quid didn't agree with my provisional decision – I've read its reasons in full and have summarised them below.

In relation to loan one, it noted that the final repayment was actually around 38% of his income – I had stated it was 48%. It also noted that it was a three period loan and thought that the first two smaller instalments meant Mr C would've been able to put more disposable income towards the third instalment.

It also said that Mr C's credit report didn't reveal he was excessively requesting credit – and only showed four searches within the last 12 months, with no county court judgements or insolvencies.

In relation to loan two, Quick Quid said there was a substantial breaking period between it and loan one. It also said Mr C had a good repayment history, so it didn't have cause for concern. Finally Quick Quid said that Mr C's gambling problem wasn't public knowledge and couldn't be found out via a credit report or identity verification checks. And it thought it was unlikely Mr C would've told it about his problem as it would impact his ability to get additional funds.

my findings

I've considered again all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, taking into account the law, any relevant regulatory rules and good industry practice at the time

Having done so, I haven't been persuaded to depart from my provisional decision – and I'm going to uphold Mr C's complaint.

Quick Quid is right to say the final instalment for loan one would've in fact been about 38% of what Mr C told it his salary was. This was a typographical error on my part and I'm sorry if it caused any confusion.

But this doesn't change my view that Mr C was committed to repaying a large sum, relative to his salary, which would've left him at most £700 to meet his normal outgoings and other credit commitments. I still think it would've been reasonable for Quick Quid to ask Mr C for information about his normal living costs as well as his regular and short-term credit commitments to check that this repayment was sustainable.

I understand Quick Quid's point that its credit check didn't give it cause for concern. But I remain of the view that this wasn't a proportionate check, given what Quick Quid knew about Mr C's income and how much he wanted to borrow. And I think if it had asked him for more information (as I've described above) it would've seen that the loan wasn't affordable.

I've taken into account what Quick Quid said about this being a three period loan. But as I didn't think the first, smaller, instalment was affordable anyway, this point doesn't change my decision.

I understand Quick Quid thinks the gap between loans one and two meant it didn't need to carry out further checks when Mr C wanted to borrow more money. But I noted Mr C had borrowed from Quick Quid's sister company during this period – so there wasn't really a substantial gap between all the loans it knew about. Quick Quid hasn't really responded to this point and so hasn't disputed that it knew about all of these loans.

Quick Quid has said that certain checks – like credit reports and identify verification checks – wouldn't reveal gambling problems. It may very well be right about that. But I don't think this level of check was proportionate given how much Mr C was borrowing and how often. In other words, I don't think it was proportionate for Quick Quid to continue to rely only on what Mr C was telling it, without seeking to somehow verify the information. I still think Quick Quid should've gone further and asked Mr C to provide information that would help it to *verify* his income and expenditure. And I think a proportionate check would likely have revealed the extent of Mr C's gambling and his reliance on short-term lending.

But if Mr C couldn't or wouldn't provide information to help Quick Quid to verify what he was telling it, then I don't think it should've lent to Mr C again anyway as it wouldn't have been able to determine if the loan could be repaid from sustainable sources.

Quick Quid's response doesn't suggest that it disagrees loan two was unaffordable. And, for the reasons I've given, I think proportionate checks would've revealed this. So I still think it's fair and reasonable to uphold Mr C's complaint about this loan.

putting things right

Quick Quid must:

- refund all interest and charges Mr C paid both loans
- pay interest on these refunds at 8% simple* per year from the dates of payment to the date of settlement;
- remove any adverse information about these loans from Mr C's credit file.

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

my final decision

For the reasons I've explained, I uphold Mr C'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 C to accept or reject my decision before 19 October 2017.

Matthew Bradford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr C complains that CashEuroNet UK LLC, trading as Quick Quid, gave him loans he couldn't afford to repay.

background

Mr C took out two loans with Quick Quid. The first (*loan one*) was taken on 23 February 2013, when he borrowed £350. He'd have to repay £548.86 across three instalments in March, April and May 2013.

The second loan (*loan two*) was a 'flex credit' account which was opened on 31 October 2013. It allowed Mr C to draw down up to £700 and to repay the amount borrowed in flexible instalments over a period of up to ten months. This was a rolling credit arrangement which meant that Mr C could draw down sums of capital up to the maximum agreed and repay them over a period. In other words the money borrowed didn't have to be repaid within the following month – as it did with payday loans. Although a different style of credit, the obligations on Quick Quid were the same as with other loans.

Between these two loans, Mr C took out a further three instalment loans with Quick Quid's sister company. These are being dealt with under a separate reference. But I understand Quick Quid would've been aware of loans made by its sister company, so I've taken them into account when considering Mr C's complaint.

An adjudicator has looked at this complaint already and recommended it be upheld.
Quick Quid didn't agree with the adjudicator. It didn't think there was enough evidence to say the loans weren't affordable. It also noted there was a 37 day period when Mr C didn't have a loan with Quick Quid or its sister company. It also didn't think it could've established that Mr C had a gambling problem and that it didn't have enough reason to carry out more detailed affordability checks.

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.

loan one

The information Quick Quid had about Mr C's income in February 2013 was that he earned £1,100 a month. He was due to repay loan one over 90 days through three instalments - two of which were around £65 and the final one was around £415. Mr C's final instalment was therefore about 48% of his salary. This is quite a large proportion of Mr C's income and it would have left him with, at most, £700 from which to meet all his normal outgoings and credit commitments. Given this, I think it would've been reasonable for Quick Quid to ask Mr C for more information about his monthly outgoings – his normal living costs and other credit commitments (including other payday loans) - in order to establish that the loan could be repaid from sustainable sources. I can't see that it did this. So I've looked at what Quick Quid would've seen if it had carried out what I consider to have been proportionate checks.

Mr C told us his normal monthly living costs were around £634. Quick Quid didn't ask him about his outgoings when he took loan one but it has told us that when it did ask for details of his expenses in December 2014 Mr C declared living costs of around £325 a month.

Those figures were provided almost two years later. And I have some concerns about Quick Quid accepting them without further question – because for example, the stated sum of £50 per month for housing doesn't appear to be realistic. But that aside, I don't think it makes a difference what Mr C's exact livings costs were. I say this because Mr C appears to have been borrowing heavily from other payday lenders before he took loan one with Quick Quid. He paid over £1,100 to a different payday lender just six days after he received loan one. A few days after that, he paid around £766 to the same lender – suggesting that he was already significantly indebted to that lender before he took loan one. This is information which Quick Quid is likely to have obtained had it done proportionate checks.

Although Mr C's current account wasn't overdrawn after he made these payments, it seems this was mainly because he was continuing to receive funds from other payday lenders – and so the credit balance on his account was largely down to loan deposits rather than income and/or savings. Mr C's salary appears to be his only real source of income and I haven't seen anything to make me think he had savings at this time. So as he couldn't repay the loan from a sustainable source, it wasn't affordable.

Had Quick Quid carried out a proportionate check and asked for more information about Mr C's expenditure (including other short-term loan commitments), it would've seen his entire income and more would've already been spent paying other debts – meaning even the first instalment of this loan would've looked unaffordable.

So I'm not persuaded that loan one was affordable and I intend to uphold this part of Mr C's complaint.

loan two

Loan two was the second of Mr C's Quick Quid loans and there was a gap of eight months between it and loan one. But during these eight months, Mr C borrowed three more times from Quick Quid's sister company - in March, May and September 2013. The third of those loans from the sister company ended on 24 September 2013 – 37 days before Mr C took out this loan. I think Quick Quid would've been aware of this and so would've known Mr C had been making use of 'short term' credit for eight months, with only modest breaks between loans.

I think this should've prompted Quick Quid to do more in depth checks and to seek to verify information about Mr C's income and expenditure and other credit commitments. I've looked at Mr C's bank statements to see the sort of information Quick Quid could've gathered had it done more proportionate checks.

Had Quick Quid carried out proportionate checks, it would've seen that Mr C was spending a lot of money on what appears to be gambling. I appreciate that this isn't entirely clear from Mr C's statements (due to Mr C's use of an electronic payments service) but I'd be surprised if Quick Quid, upon looking at Mr C's statements, didn't suspect gambling was the most likely explanation for the numerous and significant outgoing payments via the electronic payment service.

Had Quick Quid carried out proportionate checks and verified information – for example through bank statements, it would've struggled to understand how Mr C was actually spending his money, given how much of it was leaving his account via the electronic payment service. So it would've had to ask him more questions to satisfy itself that he had the means to repay the loan; or if it couldn't determine from the information it had that the loan was affordable, it shouldn't have lent to him.

Proportionate checks would've also allowed Quick Quid to see how much money Mr C was receiving from other payday lenders (including amounts close to his monthly income). And so it should've been concerned about how Mr C was going to repay his loan sustainably, given his other financial obligations, as well as Mr C's apparent dependence on short-term credit.

I can see that in September 2013 Mr C was borrowing large sums from other short-term lenders - at least £2,600 in that month. I can also see that he was receiving a salary of around £1,200 a month. Given the nature of short-term credit, it's likely Mr C would have significant repayments to make to existing creditors in the same months he'd need to make payments towards his new flex credit account – and this is reflected in the bank statements I've seen.

If Mr C drew down the full amount available and kept to the repayment schedule (and didn't draw down any further sums), he'd have to pay Quick Quid more than £220 in each of November and December 2013 and January 2014. I can see that in November he paid over £770 to other short term lenders, and almost £300 toward other types of credit such as credit card repayments. It's likely these amounts were owed before Mr C applied for the new flex credit facility and I think propionate checks would've revealed this information.

As I've said, I don't think Mr C had available savings, so he'd need to repay the loan from his salary. But after paying existing creditors, Mr C wouldn't have enough money to sustainably repay what he'd borrowed from Quick Quid.

If it had done proportionate checks and seen this, I don't think Quick Quid would've given Mr C loan two. So I also intend to uphold this part of Mr C's complaint.

putting things right

I intend to say Quick Quid should:

- refund all interest and charges Mr C paid both loans
- pay interest on these refunds at 8% simple* per year from the dates of payment to the dates of settlement;
- remove any adverse information about these loans from Mr C's credit file.

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

my provisional decision

For the reasons I've explained, I plan to uphold this complaint and to tell CashEuroNet UK LLC to put things right by doing what I've said above.

I now invite both parties to provide anything further they may wish me to consider, in writing within two weeks, after which time I will again consider my decision.