

complaint

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

background

Mr R was given 21 loans and a flexible credit facility by QuickQuid. Mr R was also given 5 instalment loans by Pounds to Pocket between December 2012 and November 2017.

Mr R's complaint has been assessed by one of our adjudicators. She thought that the checks done by QuickQuid and for all of these loans with the exception of the first one were not enough. She thought better checks would have shown QuickQuid that loans 4 to 21 and the credit facility were unaffordable for Mr R. She also thought Pounds to Pocket didn't do enough checks before offering the instalment loans either and these were all also unaffordable for Mr R. So she asked the business to pay some compensation to Mr R.

CashEuroNet doesn't agree with that assessment. So, as the case hasn't been resolved informally it has been passed to me, an ombudsman, to decide.

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.

CashEuroNet was required to lend responsibly. It needed to make checks to see whether Mr R 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 R was borrowing, and his lending history, but there was no set list of checks it had to do.

CashEuroNet has shown us the checks that it did before lending to Mr R. CashEuroNet asked for Mr R's income before giving him the loans and it also says it did a credit check before some of the loans. I've not seen the full results of those credit checks so I'm not sure what the business would have seen. For loan 7 onwards it asked Mr R about his outgoings.

I agree with the adjudicator that for the first loan of £150 the checks carried out by QuickQuid were enough. The repayment of £178.12 looked affordable against Mr R's declared income of £1660 and there was no reason to doubt what Mr R was saying as a new borrower. I think it was reasonable to give Mr R this loan.

The first loan was repaid on 14 December 2012 and only 5 days later Mr R asked to borrow £300 over two instalments. I agree with the adjudicator that it would have been proportionate to ask Mr R about his normal monthly outgoings to check he could afford the repayments. Had Quick Quid done this I think it is unlikely that Mr R would have said it was more than the £400 I can see in expenses on his bank statements. On that basis the loan would have been considered affordable. The position is the same for loan 3.

At the point of loan 4 I consider that Quick Quid should have done more checking. Mr R asked for a loan of £1000 and needed to repay £1250. I agree with the adjudicator that at the point of this loan and for all further borrowing, including the credit facility I think QuickQuid should have gathered a more detailed view of Mr R's finances including asking him for details of his normal expenditure, and any outstanding loans that he was repaying including short term credit. I think QuickQuid should have taken steps to verify what Mr R was saying about his finances, given his borrowing pattern, by looking at his bank statements or asking for other proof of his income and outgoings.

I have looked at Mr R's bank statements for these loans to see what QuickQuid would've seen if it had asked and I agree with the adjudicator that if QuickQuid had asked these questions and looked at evidence of Mr R's financial situation it would not have made these loans as Mr R's disposable income was not enough to afford the repayments given his other short term lending and his significant gambling.

Mr R's income was broadly what he had declared to QuickQuid but his short term lending and other financial commitments meant that he had no disposable income to meet the repayments. It is clear that he was using short-term credit to cover essential expenses and was borrowing from one lender to pay off another.

Pounds to Pocket instalment loans

Mr R was borrowing from Pounds to Pocket at the same time as the loans from QuickQuid. I think that Pounds to Pocket ought to have been aware of Mr R's borrowing pattern and asked more questions before giving him the loans. It didn't ask for evidence about Mr R's income and outgoings before giving him the loans so I don't think it could properly assess whether they were affordable. As I explained earlier I don't think it was enough to rely on what Mr R said about his income either, by that stage. I think it should've done a full review of his circumstances and asked for supporting information such as bills, payslips and bank statements to see if Mr R could afford to repay the loans and wasn't dependent on this sort of credit. If it had asked these questions I think that the business would have seen that Mr R wasn't able to repay the loans in a sustainable way because of his dependency on short term credit and his significant gambling.

I've taken into consideration what the business has said about the lack of figures relating to Mr R's outgoings. It isn't the normal monthly outgoings that make these loans unaffordable. It is the pattern of short term borrowing coupled with gambling which is evident on a review of Mr R's bank statements. If CashEuroNet has done proportionate checking it would have seen the difficulties Mr R was in and as a responsible lender it would not have given him the loans.

So overall I think that what I consider to be proportionate checks would have shown CashEuroNet that Mr R couldn't sustainably afford to repay the QuickQuid loans 4 to 21 and the credit facility or the 5 Pounds to Pocket instalment loans. So CashEuroNet needs to pay Mr R some compensation.

putting things right

So CashEuroNet should;

- Refund any interest and charges applied to QuickQuid loans 4 to 21 and the credit facility together with the 5 Pounds to Pocket loans.

- 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 R's credit file in relation to the refunded loans.

*HM Revenue & Customs requires CashEuroNet to take off tax from this interest. CashEuroNet must give Mr R 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 R's complaint and direct CashEuroNet UK LLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 July 2018.

Emma Boothroyd
ombudsman