

complaint

Mr D has complained about short-term loans granted to him by CashEuroNet UK LLC trading as "QuickQuid". Mr D says he couldn't afford these loans and that QuickQuid didn't take appropriate steps to check whether he could afford them when he took them out.

background

QuickQuid initially agreed a flexible credit agreement (flex credit) for Mr D in September 2013. This was a credit facility that allowed him to draw down money up to a pre-agreed credit limit, with a view to repaying it – potentially over a period of up to 10 months.

The flex credit account ran for around 18 months before it was closed. And QuickQuid then approved two short-term loans for Mr D, which were due to be repaid over three and two months respectively. I've set out a summary of lending below.

flex credit

flex credit no.	application	credit limit (£)	max repayment term per draw down	highest monthly repayment due (£)
1	03/09/2013	400	10 months	104
credit limit increase 1	05/05/2014	550	10 months	not provided
credit limit increase 2	03/07/2014	600	10 months	not provided
credit limit increase 3	09/11/2014	650	10 months	not provided

payday loans

loan no.	application	principal amount (£)	no. of instalments due	highest monthly repayment due (£)
1	03/03/2015	200	3	246
2	12/06/2015	400	2	490

One of our adjudicators has looked into Mr D's complaint already and recommended the complaint be upheld in part. She thought the checks QuickQuid carried out initially when Mr D applied for his flex credit facility were proportionate. But that from 1 December 2013, when he drew down his sixth advance in less than three months, QuickQuid should've been concerned about whether Mr D was using the account as intended, and done more to ensure he could afford to meet the repayments on this agreement sustainably going forward.

She thought that had it done so, it would've likely realised the flexible credit facility at this point was no longer affordable for Mr D, and subsequently would've stopped lending to him at this stage.

She also thought the checks carried out by QuickQuid at the time Mr D applied for loans 2 and 3 weren't proportionate. But she thought that had QuickQuid carried out proportionate checks, it would've still likely concluded these loans would've been affordable for him. So she didn't think it was wrong in approving them.

Mr D raised no objections to the view. QuickQuid responded further, disagreeing with the assessment. So the case has come to me, as an ombudsman, for a final decision.

The actual sale of the loans and flex-credit no longer appear in dispute. So my decision will focus on whether QuickQuid treated Mr D fairly, taking into account the Office of Fair

Trading's ("OFT") guidance to – *"monitor Mr D's repayment record during the course of the agreement; and offer assistance where he appeared to be experiencing financial difficulty."*

my findings

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

At the time of Mr D's borrowing, QuickQuid was regulated by the OFT. The OFT required businesses to lend responsibly, which means QuickQuid needed to check that Mr D could afford to repay his loans sustainably. The guidance states that *"creditors should take reasonable steps to assess borrower's likely ability to be able to meet repayments under the credit agreement in a sustainable manner"*. It also states that *"this is likely to involve more than solely assessing the likelihood of the borrower being able to repay the credit in question"*.

The guidance says that meeting repayments in a sustainable manner means repaying credit out of existing income and/or savings while also meeting other debt repayments and normal outgoings. It also lists examples of sources of information to assess affordability – these include: a record of previous dealings with the borrower, evidence of income, evidence of expenditure, a credit score, a credit report from a credit reference agency and information obtained from the borrower.

As well as ensuring Mr D could meet his repayments sustainably at the time the flex credit agreement was approved, section 2.2 of the OFT guidance on irresponsible lending says that: *"creditors should monitor the borrower's repayment record during the course of the agreement, offering assistance where borrowers appear to be experiencing financial difficulty."*

Having looked at Mr D's account, I can see that:

1. *by 21 December 2013, he'd drawn down money on five previous occasions within a three month period, the majority of which were up to the full credit limit;*
2. *QuickQuid, despite having set out an agreement showing Mr D could repay these loans over up to 10 months; then wrote to him within around a week from each drawdown, telling him the full balance was now due; and*
3. *within around three weeks from repaying the full advance each time, Mr D was again returning to QuickQuid to again draw down up to the full credit limit.*

I think that by 21 December 2013, this was enough for QuickQuid to have become concerned that Mr D may have potentially been experiencing financial difficulty, and should've carried out a full review of his financial circumstances, verifying the information it was given, to ensure he could continue to meet the repayments on this account sustainably.

Mr D's provided bank statements from around this time. So I've looked at these and all other evidence available to me, to work out what I think QuickQuid would've found out, had it fulfilled its obligations under the OFT guidance.

The credit agreement QuickQuid's provided dated September 2013 includes a repayment schedule, setting out the minimum monthly repayments due. These are calculated on the basis of Mr D drawing down the maximum £400 immediately after opening the account and then repaying it over ten months. Based on this repayment schedule, the highest repayment Mr D would potentially repay in any particular month was around £104.

From the information Mr D's provided from around December 2013, it appears he was earning in the region of £2,710 a month. His regular monthly expenditure at this time was around £1,460, and he owed around £1,140 to other short-term lenders. It also seems at this point that he was spending over £200 a month regularly on online gambling/gaming sites.

So I think had QuickQuid monitored Mr D's repayment record during the course of the agreement, and carried out a full review of his finances as a result of what it had seen, I think it would've realised that Mr D's outgoings were already exceeding his income. And that he was therefore no longer in a position to be able to maintain the repayments on this agreement in a sustainable manner. And I think it would've therefore not agreed to any further drawdowns from 21 December 2013 onwards.

what QuickQuid should do to put things right

For the reasons outlined above, I think QuickQuid should not have allowed Mr D to drawdown any further funds on his flexible credit facility from 21 December 2013. So it needs to refund all of the interest and charges Mr D paid as a result of any drawdowns after this date.

Specifically, it should:

- refund the interest and charges paid as a result of any drawdowns approved on the flexible credit facility after 21 December 2013
- pay interest on these refunds at 8% simple* from the date of payment to the date of settlement
- remove any adverse information about this flex credit account from Mr D's credit file from 21 December 2013 onwards

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

my final decision

For the reasons set out above I uphold Mr D's complaint in part.

And I require CashEuroNet UK LLC trading as "QuickQuid" to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 May 2019.

Brad Mcilquham
ombudsman