

complaint

Mr B has complained about short-term loans granted to him by CashEuroNet UK LLC trading as Quick Quid.

background

Quick Quid agreed ten short-term loans for Mr B between March 2013 and July 2016. Mr B complained the loans were unaffordable. Quick Quid disagreed, so Mr B brought his complaint to this service.

I've summarised some of the information about the loans in the table below.

loan number	date granted	loan amount (£)
1	25 March 2013	200
2	17 May 2013	200
3	15 June 2013	700 credit limit
4	24 January 2015	50
5	20 June 2015	150
6	6 July 2015	550
7	24 October 2015	150
8	19 November 2015	100
9	26 December 2015	150
10	12 July 2016	300

Apart from loan three, all of these loans were short-term payday loans repayable over a fixed period which varied between 11 and 53 days.

Loan three was a running credit agreement called Flex Credit. This meant that Mr B could draw down sums of capital up to the maximum agreed and repay them over a number of months. In other words the money borrowed didn't have to be repaid within the following weeks – as it did with payday loans.

Our adjudicator upheld Mr B's complaint in part – he thought Quick Quid needed to put things right for loans three and six. But the parties didn't agree to settle the complaint on this basis, so the complaint has come to me for a decision.

I sent Mr B and Quick Quid my provisional decision on 30 May 2017 to explain why I was intending to uphold Mr B's complaint about loan six, but not the other loans. And I said I'd consider anything else anyone wanted to give me – so long as I received it by 13 June 2017. We also explained that I might make my final decision sooner if both parties replied before then.

Quick Quid responded to my provisional decision and said it agrees with what I said in my provisional decision about how things should be put right. And Mr B has said he has nothing further to say.

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.

Mr B and Quick Quid haven't provided any further points for me to consider since I issued my provisional decision. So I still think Mr B's complaint should be upheld about loan six, but not the other loans. And I've explained my reasoning again below.

Quick Quid was required to lend responsibly. It needed to check Mr B could afford to repay each loan in a sustainable way. There was no set list of checks it needed to do, but the checks should have been proportionate to the circumstances of each loan, which might include considerations about the amount borrowed, the associated cost and risk to Mr B, his borrowing history, and so on.

So in making this decision I've first considered whether Quick Quid did everything it should have when it assessed Mr B's loan applications. And, following on from this, I've then thought about whether or not any assessment failings resulted in Quick Quid agreeing to lend to Mr B when it should've known that it would be difficult for him to repay in a sustainable way

loan one

Quick Quid granted Mr B the first loan on 25 March 2013 for £200. Mr B needed to repay £220 including interest.

I can see from the information Quick Quid has sent us that Mr B seems to have declared his net monthly income at the time as £1,250 or £1,300 (there are two conflicting figures for the same date). I think it was reasonable for Quick Quid to rely on this information given the amount Mr B was asking to borrow, the amount he needed to repay including interest, and that this would be Mr B's first loan with Quick Quid. I can also see Quick Quid carried out credit checks at the time.

So I think Quick Quid's affordability checks were proportionate for loan one, and that it would've appeared from these that the loan would be affordable for Mr B.

loans two, three and four

Within around a month and a half of repaying loan one, Mr B applied for and was granted loan two on 17 May 2013 for £200. The credit agreement shows this was repayable over 28 days in two instalments, with the first on 31 May 2013 for £50 and the second on 14 June 2013 for £250. I can see from the statement of account Quick Quid has sent us that Mr B actually repaid this loan by the end of May 2013.

On 15 June 2013, around two weeks later, Quick Quid granted Mr B a rolling credit facility called Flex Credit, with a credit limit of £700. In the credit agreement there was a hypothetical repayment schedule. This table shows the amount Mr B was due to repay each month over ten months if he drew down the maximum £700 at the start of the agreement and didn't draw down again. In these circumstances the highest repayment in any one month was due to be £230.

The Flex Credit account appears to have been settled at the end of July 2014, so around 13 months after it was granted. There was then just under a six month break until Quick Quid granted Mr B loan four on 24 January 2015 for £50, which he would need to pay £62.24 to repay including interest.

I think Quick Quid should have done a higher level of affordability checks for these loans, compared to what it did for loan one, because by this stage Mr B's history with Quick Quid was growing. And whilst Mr B had a good repayment history with Quick Quid, without further checks I don't think Quick Quid could properly judge whether Mr B could repay in a sustainable way. So I think before granting these loans (even loan four which was for a relatively low amount and after almost a six month break), that Quick Quid should not only have asked Mr B about his net monthly income, but also his normal living costs and regular financial commitments. It could've then compared this information to decide whether it was appropriate to grant these loans.

From the information I've seen, Quick Quid carried out credit checks and asked Mr B about his net monthly income when each of these three loans was granted. But it looks to me that Mr B was asked about his monthly expenditure only for loan four – and not loans two and three

So I think Quick Quid's affordability checks fell short for loans two and three. And I've thought about whether this led Quick Quid to grant these two loans to Mr B when it should've known it would be difficult for him to repay them in a sustainable way.

However, I don't think it did. I say this because Mr B's declared net monthly income when loans two and three were granted was £1,250 or £1,300 (as previously mentioned there are two conflicting figures for this). And Mr B has told us that £841 is a fair assessment of his monthly expenditure during the period these loans were taken out (which he has broken down further to housing, food, travel, phone and internet, other loans and debts, and other). I can also see that Mr B seems to have been asked about his monthly expenses seven times between January 2015 and September 2016 and he said each time they were £525.

So I think if Quick Quid had asked Mr B about his monthly living costs and regular financial commitments before it granted Mr B loans two and three in 2013, he most likely would have said they were around the same level and not higher than £841. And I think that based on this information, Quick Quid would reasonably have thought Mr B could afford and would be able to repay loans two and three in a sustainable way.

And as Quick Quid did ask about Mr B's living costs and regular financial commitments before it granted loan four, I think its checks for loan four were proportionate. For this loan Mr B said his net monthly income was £1,350 and his monthly expenses were £525. So I think Quick Quid's affordability checks were proportionate and that it would've appeared that this loan would be affordable to Mr B.

loans five to ten

I think that before granting loans five to ten, Quick Quid should have carried out fuller checks than it did for loans two to four, on whether Mr B was likely to be able to afford to repay these loans in a sustainable way - for example by independently verifying Mr B's monthly outgoings compared to his income. I say this because by this stage Mr B's history with Quick Quid had grown further still. And whilst Mr B still had a good repayment history, there was a growing risk he wouldn't be able to repay the loans in a sustainable way.

I can't see that Quick Quid did these fuller checks. So I've thought about whether this led Quick Quid to grant these six loans to Mr B when it should've known it would be difficult for him to repay them in a sustainable way. But, apart from loan six, I don't think it did – I think that if Quick Quid had done proportionate affordability checks before granting these loans, it

would've appeared Mr B was able to repay loans five, seven, eight, nine and ten in a sustainable way, but not loan six. I'll explain why.

I can see from the information Quick Quid has sent that Mr B declared his net monthly income as £1,350 in January 2015 and this increased to £1,600 in October 2015 when loan seven was granted. I can also see that Mr B regularly declared his monthly expenditure as £525 during this period.

I've seen Mr B's bank statements for the period of these loans. And I think that if Quick Quid had independently verified what Mr B had said about his income, then it would've found that up until October 2015 Mr B's net monthly salary was around about – and never less than – the £1,350 he'd told Quid Quick it was at the time. I can also see that in November 2015 his net monthly salary was about £2,117. Then in December 2015 it was about £1,672. And then in the few months before Mr B took out loan ten on 12 July 2016, it was not less than £1,550.

Mr B's bank statements don't give quite such a clear picture with regards to his monthly living costs, regular financial commitments and other short term financial commitments. There are also a large number of cash withdrawals – but Mr B has explained that he simply preferred to have cash on him. I can't see, however, that Mr B's monthly living costs and commitments were greater than the £841 per month he's told us they were. And sometimes, the figure looks to be less than this.

So it appears from what I can see that Mr B most likely had a disposable income of more than £479 when loans five and six were granted to him (certainly not less than this).

Loan five was granted on 20 June 2015 for £150, and Mr B needed to repay £199.20 including interest – which was due on 31 July 2015, 41 days after it was granted. Mr B actually repaid this early on 30 June 2015. So I think based on this information, Quick Quid would reasonably have thought this loan was affordable for Mr B.

Loan six was granted on 6 July 2015 for £550, and Mr B needed to repay £759.88 including interest – with one payment of £99 due on 31 July 2015 and the second and final payment of £660.88 due on 28 August 2015, 53 days after the loan was granted. As I've already said, Mr B's bank statements don't give a really clear picture with regards to Mr B's monthly living costs and commitments. And it looks like sometimes they could've been lower than the £841 he's said. And I'm aware that if they were the £525 figure he declared at the time, this would mean he had disposable income of £825. However, if Quick Quid had done proportionate checks, I don't think it would've thought Mr B's monthly living costs and commitments were really that low. And with a payment to make of £688.88, I don't think from Mr B's level of disposable income that Quick Quid should've thought Mr B would be able to repay it in a sustainable way.

However, when loans seven, eight, and nine were granted to Mr B (in October, November and December 2015 respectively), Mr B seems to have had a disposable income of not less than £729. Including interest, he needed to repay a maximum of £190.80 (loan eight was less) for each loan including interest. So I think Quick Quid would reasonably have thought these loans were affordable for Mr B.

Finally, when loan ten was granted on 12 July 2016, Mr B's disposable income seems to have been not less than £679. This loan was for £300, and it was payable over 50 days, with the first amount due on 29 July 2016 for £36.72 and the second and final amount of £379.20

due on 31 August 2016. It appears Mr B ended up fully repaying this loan by the end of the month when the first payment was due. And again, given the amount Mr B needed to repay, compared to his disposable income, I think Quick Quid would reasonably have thought this loan was affordable for Mr B.

I've taken into account Mr B's comments. And I'm aware that his bank statements show a number of gambling transactions, but Mr B hasn't been able to give us an exact amount he spent on gambling. And looking at his bank statements, it doesn't seem to me they were at a level where I'd say it was irresponsible of Quick Quid to grant Mr B the loans.

what Quick Quid should do to put things right

Quick Quid needs to refund all of the interest and charges Mr B paid on loan six. Specifically, it should:

- refund all interest and charges for Mr B's sixth loan agreed on 6 July 2015.
- 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 this loan from Mr B's credit file.

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

my final decision

For the reasons explained above, I uphold Mr B's complaint in part.

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 B to accept or reject my decision before 7 July 2017.

Neil Bridge
ombudsman