

complaint

Mr M says Quidie Limited lent to him irresponsibly.

background

I sent Mr M and Quidie my provisional decision on 21 November 2018. A copy of it is attached and it forms part of this final decision. The full background to the complaint is set out in my provisional decision, so I won't reiterate it here.

I explained why I was planning to uphold this complaint in part and what I intended to ask Quidie to do to put things right. I asked both parties to let me know if they had anything to add.

Mr M said he agreed with my provisional findings. Quidie didn't respond.

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. I've taken into account the law, good industry practice and any relevant regulations at the time.

As neither party sent me anything new to consider, I see no reason to change my provisional findings. So I'm upholding Mr M's complaint in part, for the same reasons as set out in my provisional decision.

I remind Quidie that it must comply promptly with my award and directions (DISP 3.7.12R).

my final decision

I uphold this complaint in part. Quidie Limited must put things right by taking the steps set out in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 January 2019.

Matthew Bradford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr M says Quidie Limited lent to him irresponsibly.

background

It appears that Quidie approved eight loans for Mr M. There is uncertainty about this as Quidie hasn't responded to any of this service's requests for information.

In the absence of any information from Quidie, I've relied on the information Mr M has provided about his loans. This includes a full copy of a recent credit report which shows the information Quidie reported. I've summarised some of the information from the credit report in the table below. The repayment figures were obtained from Mr M's bank statements.

Loan no.	Start Date	End Date	Loan amount	Amount repaid
1	15/05/2015	19/06/2015	£250	£320
2	19/06/2015	17/07/2015	£250	£306
3	18/07/2015	14/08/2015	£300	£364
4	27/10/2015	06/11/2015	£400	£432
5	08/11/2015	04/12/2015	£400	£483
6	06/12/2015	31/12/2015	£300	£360
7	05/01/2016	29/01/2016	£300	£360
8	29/02/2016	24/03/2016	£300	£357.60

Our adjudicator thought the complaint should be upheld in respect of loans 3-8. Mr M agreed with this outcome. Quidie didn't respond – and so the complaint has been passed to me to decide.

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 taken into account the law, good industry practice and any relevant regulations at the time.

Relevant regulations and guidance include the Financial Conduct Authority's (FCA) Consumer Credit sourcebook (CONC). CONC contains rules and guidance for lenders about responsible lending. Among other things, CONC says lenders should carry out affordability checks which are proportionate in the circumstances of the loan. The regulations also say repayments should be sustainable (*i.e.* repayable from the borrower's income or savings) and that lenders shouldn't allow a borrower to enter into consecutive credit agreements where it would be unsustainable to do so.

I'd usually start by considering whether Quidie carried out proportionate affordability checks. And only if I thought it didn't, I'd move on to consider what would be proportionate and what those checks would likely have shown. But as Quidie hasn't cooperated with this service, I haven't seen any information about how it assessed the affordability of these loans. So I'm unable to say whether any of Quidie's affordability checks were proportionate.

In the absence of any information from Quidie, I've considered what I think it would've been proportionate for it to check and what I think it would've seen. I've set out my findings below.

loans 1 and 2

As a starting point, I think Quidie ought to have at least asked Mr M about his income. I don't know what he might've told it. So I've relied on the information from Mr M's bank statements, as I think this provides the best evidence I have of Mr M's income at the time. I've rounded the relevant figures.

I can see that in May and June 2015 Mr M received a pension payment of £370. And in May he received a giro payment of £2,859, which I will treat as a salary payment. He received a payment with the same reference of £3,613 in June. There's also a regular cash payment into his account (I say regular because it appears in most months, although the amount varies significantly) of £1,400 in May and £4,900 in June.

So while I can't be sure of what Mr M actually told Quidie about his income (assuming it asked this question), I think it's likely he'd have declared an income which was very high relative to the size of the loans. And based on this, I think Quidie could reasonably have decided loans 1 and 2 were affordable.

loan 3

When Mr M applied for this loan, it was the second time he'd asked for credit very shortly after repaying the previous loan. I consider this to be an indicator of potential financial difficulty, so it would have been proportionate for Quidie's checks to go further than for loans 1 and 2. In addition to asking Mr M about his income, I think Quidie should've at least asked him about his regular monthly expenditure, including his living costs (like rent/mortgage, transport etc.) and his regular credit commitments. I don't think Quidie had reason to ask Mr M about other short-term commitments this early on in the lending relationship.

Again, I've relied on the information from Mr M's bank statements to decide what I think he'd have told Quidie, if it had asked.

I've looked at Mr M's bank statement for July 2015 and I can see what looks like a salary payment of £2,238 and a pension payment of £360. There is also a regular cash payment into the account of £620. So Mr M's income in the month of the application was around £3,200. I think it's reasonable to take this as the figure Mr M would have declared if asked.

Mr M has told us his regular living costs were: £700 for rent/mortgage, £240 for food, £90 for utility bills, £102 for council tax, £46 for TV/internet, £67 for car insurance, £80 for transport and £49 for his mobile phone. Finally, Mr M says his regular credit commitments were £1,400 a month. The total of these is a little under £2,800.

But I've not been able to verify these figures from Mr M's bank statements. Notably, I haven't seen *regular* (rather than short-term) credit commitments of £1,400 a month. Mr M's credit report shows one credit card with a balance of £2,200. There is also a guarantor loan with a regular payment of £187. On balance I don't think Mr M's *regular* credit commitments were as high as £1,400 and so I don't think this is what he would've told Quidie.

I've accepted what Mr M has said about his regular living costs as the figures seem reasonable. The total of these is about £1,400. Taking into account the relatively low balance of the credit card and the £187 for the guarantor loan, I don't think the repayment for loan 3 would've looked unaffordable to Quidie if it had asked Mr M about his regular monthly living costs. So I don't intend to uphold the complaint about this loan.

loan 4

There was a 74 day gap between loan 3 and 4. But given the pattern of lending up to this point, I don't think this is a particularly significant pause in Mr M's requests to borrow money and so Quidie still ought to have been concerned he was showing signs of dependency on this type of credit. With this in mind, I think it would have been proportionate for Quidie to look into Mr M's circumstances in more detail. In addition to what I've suggested for loans 1-3, I think Quidie also should've asked Mr M to provide details about his other short-term credit commitments (if any).

Mr M's income at around this time appears to have been from a salary payment of £3,583 and a pension payment of £360 – a total of about £3,943.

I've considered the information I've seen about Mr M's short-term credit commitments. I think he paid around £2,000 to short-term creditors in November 2015. Adding this to his regular living costs (£1,400, as above) gives a total of £3,400. Mr M seems to have repaid £432 for loan 4. I don't think this payment would've appeared to be sustainably affordable taking into account Mr M's existing commitments, particularly given the extent of his existing short-term debt. So I don't think Quidie would've approved this loan if it had carried out proportionate checks. I intend to uphold the complaint about this loan.

loans 5-8

The pattern of borrowing shortly after repaying the preceding loan continued. Bearing in mind the lending history up to this point, I think Quidie needed to find out more before giving these loans. At this stage, I think that it would've been proportionate to continue to find out about the information I've suggested for loan 4. But I also think that Quidie needed to verify at least some of this information

I've again considered the information from Mr M's banks statements to help me decide what Quidie would've found out, had it carried out proportionate checks. In the absence of any information from Quidie, I think it's reasonable to rely on this information.

When considering the continuing sustainability of the loans, relevant guidance includes CONC 6.7.21G, which says, "*A firm should not refinance high-cost short-term credit where to do so is unsustainable or otherwise harmful.*" CONC 6.7.21G also refers to paragraph 6.25 of the Office of Fair Trading's (OFT) Irresponsible Lending Guidance (ILG). This says:

"The OFT considers that [repeatedly refinancing] would include a creditor allowing a borrower to sequentially enter into a number of separate agreements for short-term loan products, one after another, where the overall effect is to increase the borrower's indebtedness in an unsustainable manner.

...

The purpose of payday loans is to act as a short-term solution to temporary cash flow problems experienced by consumers. They are not appropriate for supporting sustained borrowing over longer periods, for which other products are likely to be more suitable."

Having carefully looked at everything provided, I think it's clear that Mr M wasn't in a position to be able to make the payments for loans 5-8 in a sustainable way. Mr M's monthly income was not enough for him to sustain the payments to these loans once his other regular outgoings are taken into account.

By this stage, I think proportionate checks would've shown Quidie that a substantial portion of Mr M's income was going not just on repaying other creditors, but also on gambling. It seems that the short-term loans Mr M was taking from multiple different lenders were also used for this purpose. Mr M continued to receive large cash payments in most months. But given the extent of the gambling transactions, I've placed less weight on the availability of this money as I don't think it was likely to be readily available to repay the loans.

In short, I think that if Quidie had seen evidence of Mr M's outgoings, it would've been able to establish the above and it wouldn't have lent to Mr M in these circumstances. I plan to uphold the complaint about these loans.

what Quidie should do to put things right

I plan to tell Quidie to:

- refund the interest and charges Mr M paid on loans 4-8
- add to the above interest at 8% simple per year, from when Mr M paid them until the date of settlement†
- remove adverse information about these loans from Mr M's credit history

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

my provisional decision

I plan to uphold this complaint in part and to tell Quidie Limited to put things right by taking the steps set out above.

[signed]

Matthew Bradford

ombudsman