

## complaint

Mr S complains that CashEuroNet UK LLC, trading as QuickQuid, was irresponsible when it provided a number of loans to him.

## background

Mr S took seven loans with QuickQuid between June 2016 and September 2017. This table contains some of the information QuickQuid has provided about Mr S's loans.

	date taken	principal amount	date repaid	term (days)	number of repayments	highest repayment amount
Loan 1	09/06/16	£400.00	30/06/16	50	2	£492.80
Loan 2	20/10/16	£500.00	25/10/16	41	1	£664.00
Loan 3	31/10/16	£100.00	01/11/16	30	1	£124.00
Loan 3a	01/11/16	£300.00				£493.60
Loan 4	16/11/16	£900.00	30/11/16	76	3	£1,130.40
Loan 5	22/03/17	£300.00	24/05/17	98	3	£379.20
Loan 6	25/05/17	£750.00	29/08/17	92	3	£918.00
Loan 7	13/09/17	£500.00	outstanding	78	3	£624.00

The loan amounts varied between £100 and £900. Loan 3 was topped up the day after the original principal was advanced (Loan 3a).

And the length of time over which Mr S agreed to repay the loans also varied. For example, Loan 1 was taken over 50 days and was to be repaid through two instalments, whereas Loans 2 and 3 were taken over 41 and 30 days and they were each due to be repaid through one instalment. However, Loans 4, 5, 6 and 7 were taken over a longer period (between 76 and 98 days) and were repayable through three instalments.

The loans which were due to be repaid through more than one instalment were structured such that the earlier repayments were made up only of interest and so were much lower than the final (balloon) repayment which included interest and the whole of the principal sum borrowed.

I understand that there is an outstanding balance on Loan 7.

Our adjudicator upheld Mr S's complaint about Loans 2 to 7. But QuickQuid doesn't agree with his assessment. So the case has come to me, an ombudsman, for a final decision. If Mr S accepts my decision, it will be binding on the parties.

## my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

QuickQuid needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr S could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that QuickQuid should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I think that it is important for me to start by saying that QuickQuid was required to establish whether Mr S could *sustainably* repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. If loan payments are affordable on that basis it might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define "sustainable" as meaning that a consumer should be able to repay the credit without undue difficulties and in particular, over the life of the agreement whilst being able to meet other reasonable commitments – and without having to borrow further.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable - so a lender should've realised that it wouldn't be responsible to provide any further loans. So I've also looked Mr S's lending history with QuickQuid to consider if there was a point at which QuickQuid should reasonably have seen that further lending was unsustainable or otherwise harmful for him.

Our adjudicator didn't uphold Mr S's complaint about Loan 1. I have thought about this and although borderline, I tend to agree with our adjudicator. I say it's borderline because this was Mr S's first loan and he was applying for £400 – a relatively high amount compared to his declared monthly income of £1,277. QuickQuid says that through its checks it established that Mr S's monthly estimated disposable income (EDI) was £493. The balloon repayment due at the end of July was £492.80 and so was going to take up all of that EDI. But I haven't seen enough to say that - given that this was Mr S's first loan repayable through two instalments - it was unreasonable for QuickQuid to conclude that Mr S would most likely be able to repay this loan as and when the repayments fell due in a sustainable way.

However, when Mr S returned to QuickQuid almost four months later for Loan 2, it ought to have realised that repayment of this loan was unlikely to be affordable in a sustainable manner. Mr S borrowed more than he had for Loan 1 - £500. And he was borrowing it over a single repayment period. This time he was going to have to repay the whole loan by one repayment of £664.

Not only was this repayment going to take up a significant amount of Mr S's declared monthly income (which had now increased to £1,443), that repayment was more than QuickQuid itself had calculated to be his monthly EDI (£659). So although QuickQuid thought that Mr S had a higher EDI at this point, the repayment of the loan was going to take up all of it. In these circumstances it was highly likely that Mr S wouldn't be in a position to repay Loan 2 sustainably. It was very likely he'd have to borrow again to plug the hole in his finances caused by this repayment. And indeed that is what happened.

Mr S repaid Loan 2 early but within six days he returned for Loan 3. I accept that this was for a lower amount but this was his third loan in just over four months. This pattern of taking high cost short term loans and repaying them early, only to borrow again suggested that Mr S was struggling to manage his finances. And the following day (1 November 2016) Mr S returned to QuickQuid to top up his loan by a further £300. So now he was due to repay almost £494 at the end of the month. I'm not persuaded that QuickQuid could reasonably and fairly conclude that this loan would be sustainable for Mr S.

Additionally the unusual pattern of behaviour by Mr S in borrowing quite significant sums and repaying them early should've sounded alarm bells for QuickQuid. Mr S repaid Loan 3 on the same day he topped it up. In my experience this type of behaviour is often indicative of someone who is using high-cost short-term credit to fund gambling transactions. So when, two weeks later, Mr S came back to QuickQuid for Loan 4, it should've done significantly more to understand what was going on with his finances. Had it done so it would've seen that Mr S was gambling very large sums through on-line betting.

But that aside, this loan was for £900 repayable over 76 days through three instalments - the highest of which was over £1,130. QuickQuid had calculated a monthly EDI of £659 for Mr S. I don't think it was reasonable - given the pattern of borrowing and the sums involved - for QuickQuid to think that Mr S would be in a position to save sufficient funds to meet the repayments when they fell due. So it wasn't responsible to provide this loan to him

Mr S again repaid Loan 4 early. But I'm satisfied that when he came back for Loan 5 less than four months later, the overall pattern of his lending meant that QuickQuid should reasonably have seen that further lending would be unsustainable or otherwise harmful for him.

And this was borne out when Mr S failed to repay Loan 6 as agreed and was charged a late fee. Despite that, QuickQuid went on to provide Loan 7 to Mr S two weeks later. He made two interest only repayments but didn't make any further repayments from the end of October 2017 after which time a late fee was again charged and default interest was added to the balance.

The purpose of these loans was to act as a temporary solution to short-term cash flow problems. But this history suggested that it was unlikely that Mr S was borrowing to meet a temporary shortfall – rather he was borrowing to meet an on-going need. This had the effect of unfairly prolonging his indebtedness by allowing him to take expensive credit intended for short-term use over an extended period. In turn this was likely to have had other negative implications for Mr S including restricting his ability to access mainstream credit – which in itself would keep him in the market for this kind of high cost loan.

So in summary I'm upholding Mr S's complaint about Loans 2, 3 (including the top-up), 4, 5, 6 and 7 and I require QuickQuid to put things right.

### **putting things right**

QuickQuid shouldn't have provided Loans 2 to 7. I understand that there is an outstanding balance on Loan 7. If it has sold the outstanding debt it should buy this back if it is able to do so and then take the following steps. If QuickQuid is unable to buy the debt back then it should liaise with the new debt owner to achieve the results outlined below.

I require QuickQuid to:

- A) add together the total of the repayments made by Mr S toward interest, fees and charges on Loans 2, 3, 4, 5 and 6
- B) calculate 8% simple interest\* on the individual payments made by Mr S which are considered as part of A), calculated from the date he originally made the payments to the date the complaint is settled
- C) remove all interest, fees and charges from the outstanding balance on Loan 7 and treat all repayments made by Mr S on this loan as though they had been repayments of the principal.

If this results in Mr S having made overpayments then QuickQuid should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. It should then also refund the amounts calculated in A) and B) and move to step D).

If there is still an outstanding principal balance on Loan 7 after QuickQuid has removed all interest, fees and charges from the outstanding balance and treated all repayments made by Mr S on this loan as though they had been repayments of the principal, then the amounts calculated in A) and B) may be used by QuickQuid to repay that remaining principal balance. If this results in a surplus then the surplus should be paid to Mr S. However if there is still an outstanding balance then QuickQuid should work positively and sympathetically with Mr S to agree an affordable repayment plan with him.

- D) remove any adverse information recorded on Mr S's credit file in relation to Loans 2, 3 and 4
- E) The overall pattern of Mr S's borrowing for Loans 5, 6 and 7 means any information recorded about them is adverse. So QuickQuid should remove all reference to these loans from Mr S's credit file. If it has sold Loan 7 it should ask the debt purchaser to do the same. QuickQuid doesn't have to remove Loan 7 from Mr S's credit file until it has been repaid, but it should still remove any adverse information recorded about it.

\*HM Revenue & Customs requires QuickQuid to deduct tax from this interest. It should give Mr S a certificate showing how much tax it has deducted if he asks for one.

### **my final decision**

For the reasons outlined above I uphold Mr S's complaint in part and require CashEuroNet UK LLC to put things right in the way I've explained.

Under the rules of the Financial Ombudsman Service, I'm required to Mr S to accept or reject my decision before 30 September 2019.

EJ Forbes  
**ombudsman**