

## complaint

Mr S complains CashEuroNet UK LLC (trading as QuickQuid) lent to him irresponsibly.

## background

Mr S took eight loans with QuickQuid between October 2016 and December 2017. I've set out some of the information we've received about these loans in the table below:

Loan	Date	Date Repaid	Amount	Highest Repayment
1	07/10/2016	16/12/2016	£400.00	£489.60
2	27/12/2016	05/01/2017	£400.00	£489.60
3	25/01/2017	09/02/2017	£400.00	£499.20
4	13/03/2017	23/05/2017	£900.00	£1,108.00
5	28/05/2017	28/06/2017	£1,400.00	£1,724.80
6	13/07/2017	22/09/2017	£1,500.00	£1,896.00
7	28/09/2017	27/11/2017	£1,500.00	£1,860.00
8	12/12/2017	Outstanding	£1,500.00	£1,860.00

All of Mr S's loans were intended to be repaid over three instalments, with the first two instalments being made up of interest, and the last instalment repaying all of the borrowed principal and a further sum of interest.

Mr S contacted QuickQuid in March 2018 to say he was unable to repay his last loan as agreed. He explained that he had unexpected bills to pay, had been underpaid by his employer, and was nearly £2,500 in arrears on his gas bill. QuickQuid replied to say it could split Mr S's repayments over the next four months. Mr S followed up by email the same day to say that he'd spoken to a debt charity who had recommended he go bankrupt. He said he wanted to try a debt management plan instead but he wouldn't be able to repay the amounts QuickQuid had proposed. He said the debt charity would be in touch.

At the same time, Mr S also sent an email complaining to QuickQuid that it had lent to him irresponsibly. He noted he had a significant gambling problem which had led to him building up large debts. QuickQuid asked Mr S to provide his bank statements so it could investigate his complaint – which Mr S did a couple of days later. Some weeks later, QuickQuid sent Mr S a response to his complaint. It said it wasn't upholding his complaint because he hadn't been dependent on loans and it hadn't given him any more loans after it had become aware of his financial difficulties.

Dissatisfied with this response, Mr S referred his complaint to this service, where it was looked into by an adjudicator.

Our adjudicator concluded QuickQuid had not gone far enough when checking whether Mr S could afford loans 4 to 8. She said that had QuickQuid carried out proportionate checks it would have discovered he was spending a large amount of money on gambling – and found it irresponsible to lend to him.

QuickQuid disagreed and insisted it had lent responsibly to Mr S, so the case has been passed to me 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 taken into account the law along with any relevant regulatory guidance and good industry practice at the time.

QuickQuid had to assess Mr S's applications for borrowing to check if he would be able to afford to make his expected repayments. It needed to do this in a way which was proportionate to the circumstances. It then needed to assess whether – based on the information it had gathered from its proportionate checks – Mr S could afford to make his repayments sustainably. The industry regulator at the time Mr S applied for his loans has explained that repayments are sustainable if they're made from income or savings, while maintaining existing financial commitments.

QuickQuid has said it carried out a number of checks before agreeing Mr S's loans. These included making enquiries with a credit reference agency, and asking Mr S about his income and expenditure. Mr S told QuickQuid his monthly income was £3,400 when he applied for his first loan and £4,114 when he applied for his last loan. He consistently said his monthly expenditure came to £1,575.

To test the reasonableness of what Mr S had said about his financial situation, QuickQuid says it used the data it had obtained from the credit reference agency. In this way, it says it could get an idea of whether he had given accurate information about his income and expenditure. In particular, it checked Mr S's declared expenditure on credit against his credit file, and considered whether Mr S's other expenditure was in line with national averages.

It appears QuickQuid had found a reason to doubt Mr S's income, because it asked him to supply a copy of a payslip or a bank statement before it would give him his first loan. Mr S emailed a payslip confirming his income, which seems to have satisfied QuickQuid. QuickQuid didn't ask Mr S for any other information throughout its lending relationship with him, other than asking him to update his income and expenditure when he applied for each loan.

### *were QuickQuid's checks proportionate?*

For his first three loans, Mr S's largest repayment was about £500. This was a relatively small proportion of the income he had declared and which QuickQuid had verified.

Bearing this in mind, I think it was enough for it just to ask Mr S about his income and expenditure before agreeing his first three loans. And based on what he said about his finances I can see why QuickQuid thought these loans would be affordable – it would have appeared that he had a disposable income of more than £1,800 per month.

However, when Mr S applied for loan 4 I think there were a number of aspects of the overall situation which should have prompted QuickQuid to ask more questions. Loan 4 was more than twice the amount of loan 3, and Mr S was expected to make a repayment of more than £1,100. This was about a third of his income.

I think a responsible lender would also have thought it unusual that a borrower with such a large apparent disposable income was returning frequently for loans which are designed and advertised as a means to resolve short-term cash-flow difficulties. Mr S's pattern of

borrowing was, in my view, indicative of someone who had a more serious, or more long-term, financial problem. I think that if QuickQuid had considered the situation carefully it would have thought there was reason to doubt the financial figures Mr S had provided.

In the circumstances, I don't think comparing Mr S's declared expenditure to national averages went far enough. I think QuickQuid should have made more detailed enquiries in order to determine Mr S's actual financial situation – for example by obtaining documentary evidence such as bank statements. I take the same view for loans 5 to 8, as these were all for even larger amounts and there were no indications – such as a significant break between one loan and the next – to suggest that Mr S's financial situation may have improved.

*what would proportionate checks have shown?*

To determine what proportionate checks would have been likely to show for loans 4 to 8, I've analysed the bank statements Mr S sent QuickQuid when he made his complaint.

I think an examination of Mr S's bank statements would have shown his regular monthly expenditure was around £2,075 and his income was more or less what he'd declared at about £3,400 per month, rising to more than £4,000 per month by mid-2017. However, I think there is one particularly relevant aspect of Mr S's financial situation which QuickQuid would have discovered had it carried out proportionate checks.

As noted earlier, Mr S explained to QuickQuid that he'd had a gambling problem and this was driving his borrowing behaviour. Mr S's bank statements confirm he spent a large amount of money on betting at online bookmakers. Between the beginning of February 2017 and the end of December 2017 (roughly the months covering his loan 4 to loan 8 applications), Mr S spent more than £94,200 on betting – an average of £8,570 per month. Over the same period of time, Mr S won about £82,000, making a total loss of about £12,250, or £1,114 per month.

This average is somewhat deceiving, as in reality Mr S most commonly lost around £3,000 per month when exceptional months are excluded, and when he did make large wins these were quickly used up repaying accumulated debts, bill arrears and on further betting. This was an unsustainable situation and it's also apparent that Mr S was borrowing (from a variety of sources) in order to fund his betting transactions. I don't think it can have been responsible to lend to Mr S in these circumstances.

I think QuickQuid would have discovered this situation, had it carried out proportionate checks – and as a responsible lender would have declined to lend to Mr S any of loans 4 to 8. It follows that I think QuickQuid was wrong to give Mr S these loans.

### **putting things right**

QuickQuid shouldn't have given Mr S loans 4 to 8, so it's not right that he should have to pay interest and charges on these, or have negative information recorded about them on his credit file. So to put things right I'm directing QuickQuid to:

- A) Calculate a refund of all interest and charges Mr S has paid towards loans 4 to 7.
- B) Add 8% simple interest\* to the amounts calculated in "A", calculated from the date Mr S originally made the payments in question, to the date the complaint is settled.
- C) Remove all interest, fees and charges from loan 8 and treat any repayments Mr S has made towards this loan as though they had been repayments of the principal.

If this results in Mr S having paid more than the principal, any overpayments must be refunded to him along with 8% simple interest calculated from the date those overpayments were made, to the date the complaint is settled. QuickQuid must also refund the amounts calculated in "A" and "B" and then move to step "D".

However, if a balance still remains then QuickQuid should use the amounts calculated in "A" and "B" to repay that balance and pay the difference (if any) to Mr S. If a balance still remains then QuickQuid should try to arrange an affordable repayment plan with Mr S.

- D) Remove any adverse information relating to loans 4 to 8 from Mr S's credit file.

If QuickQuid has *sold* Mr S's debt to a third party, it should buy this debt back before arranging any redress. If it is unable to buy back the debt then it must liaise with the new debt owner to achieve the steps outlined above.

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

### **my final decision**

For the reasons explained above, I uphold Mr S's complaint in part and direct CashEuroNet UK LLC to take the actions outlined in the "putting things right" section of this decision.

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

Will Culley  
**ombudsman**