

complaint

Mr W complains that CashEuroNet UK LLC (trading as QuickQuid) gave him loans which he couldn't afford.

background

Mr W took 45 loans from December 2011 to February 2017. Most were repayable within a month or by Mr W's next payday. Some repayment periods were longer than that. As Mr W's salary was paid to him on a 'four weekly' basis then the date was different each month.

Mr W didn't borrow from QuickQuid at all during March to September 2015. For Mr W, almost half of the loans (21 of the 45) were 'topped-up' with additional advances during the loan period.

To make it easier to identify each loan in this decision I've created a table which uses the information QuickQuid has given me and it appears at the end of this decision.

QuickQuid made a £200 offer of 'goodwill' in June 2017 before Mr W had brought his complaint to us. In August 2017 QuickQuid told us that loans 9 to 22 were ones where it ought to have given '*greater consideration*' to Mr W's financial position and that he showed '*signs of dependency*'. It offered just over £3,500 in refunded fees and interest charges for loans 9 to 22. Mr W didn't accept it.

In October 2017 our adjudicator recommended that interest and charges on 41 of the 45 loans be refunded to Mr W with an additional 8% interest amount. QuickQuid didn't agree with this.

So the complaint was passed to me and I issued a provisional decision on 19 February 2018 and a copy of that is attached. I have looked at all 45 loans but loans 9 to 22 I have treated as resolved as offers have been made by QuickQuid in relation to those.

Both parties were invited to make additional comments or add to the evidence after receiving my provisional decision. I heard from QuickQuid and Mr W through his representative and I've taken those responses into account when making my decision – as outlined below.

my findings

I've once again 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 the loans were offered.

In response to QuickQuid's points following my provisional decision, I say as follows:

- it was given the opportunity to respond and was informed before the complaint was going to be passed to an ombudsman for decision. I refer it to copy correspondence.
- the nature of a provisional decision is to allow the parties to come back to me on points that may not have been presented by the adjudicator
- QuickQuid's email to us dated 16 August 2017 included evidence from a credit bureau check dated January 2013 which indicated that Mr W was, or may have been, insolvent

- QuickQuid has conceded that the IVA would have influenced its lending decisions if it had known of it at the time and I think it's likely that it did know
- a comprehensive review of Mr W's financial situation by QuickQuid, at the times I have decided (in my provisional decision) that such a level of check was proportionate in all the circumstances, would likely have revealed Mr W's gambling.

Apart from these points addressed above QuickQuid has not made any other points which persuade me to alter the findings in my provisional decision.

Mr W has accepted all of my provisional decision save one aspect of the redress direction which has been clarified with a third party and that is reflected in my final decision.

In view of this, I repeat my findings in my provisional decision and come to the same conclusions and for the same reasons. That provisional decision together with the table of approved loans is duplicated here and forms part of this final decision and I refer the reader to it and to the loan numbers in that table.

putting things right

I uphold Mr W's complaint and CashEuroNet UK LLC (trading as QuickQuid) should make repayments to Mr W as I've set out here:

1. refund all interest and charges paid by Mr W in respect of Loans 1 to 45 inclusive;
2. pay simple interest at the rate of 8% per year on the above interest and charges from the date they were paid to the date of settlement.*
3. remove any negative information about these loans from Mr W's credit file.

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

my final decision

My final decision is that I uphold Mr W's complaint and CashEuroNet UK LLC should put things right as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 May 2018.

Rachael Williams
ombudsman

provisional decision dated 19 February 2018 and table of approved loans.

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, regulations and guidance applicable at the time. Good industry practice was set out in the Office of Fair Trading guidelines on irresponsible lending ("ILG") and later (from 2014) set out in rules by the Financial Conduct Authority in the Consumer Credit Sourcebook ("CONC"), chapter 5.

I've looked at the information QuickQuid had – both information from Mr W and information it discovered through its own enquiries. Having done that, I've decided whether these were proportionate and appropriate for the lending decisions.

In late 2011 the ILG applied. A potential lender was expected to take '*reasonable steps to assess a borrower's likely ability to be able to meet repayments ... in a sustainable manner.*' ILG 4.2. This was to be a '*borrower focussed*' test. The assessment was to assess a borrower's ability to undertake the loan commitment and it was meant to be wider than simply assessing the likelihood of him/her being able to repay. The ILG also recommended that the creditor looked at the borrower's ability to repay without undue difficulty, and without having to borrow further.

The ILG also gave guidance that these checks were to be proportionate to a number of factors including the borrower's current financial situation, his/her credit history (including indications of present or past financial difficulties) and future financial commitments.

The ILG would only expect a lender to take account of future financial commitments of which it was aware and '*reasonable steps*' to obtain that information was what was expected.

The ILG pointed out that it encouraged the borrower to carry out his or her own affordability checks at the same time.

A 'PayDay and Short-term Loans Charter' (effective from November 2012) was a cross-trade association charter designed to add protection to consumers. One of the many Key Commitments was to tell the consumer that "*a payday or short term loan should be used for short term financial needs and is not appropriate for long term borrowing or if you are in financial difficulty.*" For Mr W this would've been in place after Loan 8, but the spirit of that Charter was already an element of the ILG and so good industry practice likely included this.

From April 2014 the FCA rules were applicable. An assessment of the creditworthiness of an applicant/customer is a requirement: CONC 5.2.1R (1).

A firm "...*must consider (a) the potential for the commitments...to adversely impact the customer's financial situation, taking into account the information of which the firm is aware at the time the...agreement is to be made; and (b) the ability of the customer to make the repayments as they fall due...*" CONC 5.2.1R (2).

The firm should "*take into account more than assessing the customer's ability to repay the credit.*" CONC 5.3.1G. It ought to take reasonable steps to "*assess the customer's ability to meet repayments ... in a sustainable manner.*" 'Sustainable' means that the applicant is able to repay on time, out of income and savings, without undue difficulties, and without having to borrow to meet those repayments: CONC 5.3.1G (6).

Loan 1

In December 2011 Mr W applied for this Loan. Mr W was a new applicant and I can see that QuickQuid carried out fairly comprehensive searches, but I don't have the detailed results.

One search carried out would've given it information on Mr W's debt and credit scores, show open debt and any other third party debt commitments. QuickQuid's explanation to us in response to this complaint is that it would have checked Mr W's insolvency and delinquency records. So QuickQuid has told me that this aspect was checked. I've been given a copy of one type of search QuickQuid carried out in January 2013 and that shows a number '1' next to the item listed as 'currently insolvent'. This indicates that Mr W did have an insolvency issue or that additional enquiries would have been prudent.

When I asked Mr W about this, he sent me documents to show that from around October 2009 until January 2016 he was in an Individual Voluntary Arrangement ("IVA"). For searches carried out during the currency of the IVA I think that the IVA would've impacted on Mr W's credit history somewhere - whether in a search generated by Mr W or by QuickQuid using a credit reference agency. And from the 2013 records I can see that QuickQuid did.

So as Mr W's IVA status in January 2013 was the same in December 2011, then it's likely that any searches carried out in December 2011 would have brought the insolvency to light. I think that any checks carried out by QuickQuid which failed to show that Mr W was subject to an IVA would have been inadequate.

At the time of applying for his first loan, Mr W had given QuickQuid details of his income and employer but QuickQuid had no details of any of his living expenses. I don't think that QuickQuid went far enough before approving this loan. Either because QuickQuid may have received information about Mr W's insolvency and asked no more about it. Or QuickQuid carried out checks which were poor in that they didn't reveal the IVA which was a significant fact about his financial situation. IVA records usually are discoverable from public records.

And failing to get an up-to-date picture of his financial situation was not the correct and proportionate approach to take in December 2011. I think that QuickQuid should put things right for Mr W in relation to Loan 1.

Loan 2

In January 2012 Loan 2 was applied for. Initially it was for £400. Loan 1 had been paid off nine days earlier. It was a higher amount to Loan 1 and Quick Quid had the same information about Mr W's income and employment. A £200 'top-up' was asked for a couple of weeks later and the repayment date remained the same. This meant that Mr W's indebtedness was now for a principal sum of £600 plus interest.

I repeat my earlier findings about the 2013 search revealing the IVA record, and the fact that Mr W was subject to an IVA at this time. In my view QuickQuid ought to have carried out a comprehensive review of Mr W's financial situation.

I can see that QuickQuid didn't do this. So I've looked to see what Mr W's financial position was at the time. It gives me an idea as to what QuickQuid would've discovered if it had asked. Mr W has given me copies of his bank statements which is a convenient way to gather information on his position. But I will say that it's not the only way to make checks and get additional information.

Just looking at the figures, regardless of his IVA status, Mr W had told QuickQuid that his net income was £2,800. I can see that Mr W's outgoings amounted to about £2,500 including, rent, food, maintenance payments and other ordinary financial commitments. One of these was a regular repayment to the third party administering his IVA - £316 each month.

His disposable income would have been about £300. So I don't think that Mr W could have afforded the £400 loan when he applied for it. On top of this I can see that Mr W did have commitments to other short term loan providers. QuickQuid would've realised this if it had got the information I consider would've been appropriate and proportionate.

As the total amount to repay for Loan 2 was about £750 then I don't think that Mr W could've repaid the QuickQuid loan – both the original £400 and with the £200 'top-up'.

So there are several reasons why I think that QuickQuid should put things right for Mr W for Loan 2. These are: the inability to afford the loan; the fact that the checks carried out were not appropriate, sufficient or proportionate for the loan asked for; or if checks were done and the IVA was revealed then not enough regard was given to it.

Loan 3

Five days after repaying the loan and the top-up plus interest for Loan 2, Mr W applied for Loan 3 which was for £1,000. This sum, plus interest represented a large proportion of Mr W's net income (£2,800) – about 36%. It was over three times more than Loan 1 which Mr W applied for just a couple of months before. It was almost twice the amount of Loan 2.

For these factual reasons I do consider that QuickQuid ought to have obtained a comprehensive picture of Mr W's financial position and I don't think it did that. So I've looked to see what QuickQuid would've found out if it had carried out a more thorough review.

For this particular month I've used the full £4,058 he received as his net income. I think that this was an 'out-of-the-ordinary' salary and I've treated it as such.

I can see from his statements that his outgoings were about the same as before but a little higher as his subscription to a TV provider, usually paid by direct debit, had been returned unpaid the month before and so he was expected to pay double during this month. In addition he had a new expense with another provider of £240. So his total outgoings were just over £3,000. These would have left him with just over £1,000, but the repayment figure for Loan 3 was going to be £1,200.

In view of this, I think that QuickQuid would have seen that he would not be able to afford the repayment for such a large loan. So I don't think that QuickQuid ought to have lent this money to him. Plus, the IVA findings I've made earlier are relevant. Being in an IVA demonstrates that he had been in financial difficulties in the past, and so it makes it less likely to be sustainable for him to pay off loans when in an IVA. Appropriate checks or proper assessment of the information any checks revealed, were likely to have made a difference to the lending decision.

So for these reasons – the inability to afford the loan and the fact that the checks carried out were not appropriate, sufficient or proportionate for the loan asked for - then I think that QuickQuid should put things right for Mr W for Loan 3.

Loan 4

Loan 4 was for a smaller amount of £400 and credited to Mr W's bank account on 26 March 2012. As I've said, I think that QuickQuid ought to have carried out a full review of Mr W's finances by this stage if it hadn't done already. I don't think it did this and so I've looked to see what QuickQuid would've found out if it had. My earlier findings in relation to the IVA remain relevant.

I can see from Mr W's bank statements that his net salary for this month was more like the usual figure at just over £3,000. I've recalculated this figure to be the equivalent of a monthly sum. This makes it £3,346.

His usual outgoings and expenditure included the £316 to the third party managing his IVA. They totalled about £2,500. In addition to which, Mr W had commitments to repay three short term loan providers. These came to just over £550. That would've left Mr W with about £231 at the end of the month. His repayment sum for Loan 4 was £500.

Being in an IVA demonstrates that he had experienced credit problems in the past and so it makes it less likely to be sustainable for him to pay off loans when in an IVA. Appropriate checks or proper assessment of the information any checks revealed, were likely to have made a difference to the lending decision.

So for these reasons – the inability to afford the loan and the fact that the checks carried out were not appropriate, sufficient or proportionate for the loan asked for - then I think that QuickQuid should put things right for Mr W for Loan 4.

Loan 5

Loan 5 was for £300 on 6 May 2012 and Mr W repaid it on 16 May 2012 which was his payday that month. I've read the emails between Mr W and QuickQuid and I can see that this was a 10 day agreement. So he took it to bridge the gap to the next payday date.

If QuickQuid had got Mr W's full and detailed financial situation then it would've seen that his monthly equivalent income was just over £3,149 (adjusted from £2,900), his regular outgoings were about £2,528 plus he'd another short term loan commitment of £117. These make a total of about £2,645. So he would've had about £504 left.

The amount due for this Loan 5 was £375. In addition to this I can see on the statements that Mr W had to pay another lender £500 on 17 May 2012 and this repayment seems to relate to a credit to his account which pre-dates 6 May 2012. So I think that this was a sum owing at the time Mr W took Loan 5.

Being in an IVA demonstrates that he had experienced credit repayment issues in the past and so it makes it less likely to be sustainable for him to pay off loans when in an IVA. Appropriate checks or proper assessment of the information any checks revealed, were likely to have made a difference to the lending decision. I don't think that these were done and so I think that QuickQuid should put things right for Mr W for Loan 5.

Loan 6

Loan 6 was for £200 and credited to his account on 2 June 2012. I've read the emails between Mr W and QuickQuid and I've seen that this was an eleven day loan to get him to his next payday.

Mr W's net salary had been about £3,110 (adjusted from £2,871 to represent the monthly equivalent) and his outgoings were about £2,524. He'd another short term loan commitment of £117 and so after these had all been deducted from his adjusted net salary, he would've had about £469 left. So if QuickQuid had looked at Mr W's full and detailed financial situation then it would've seen that he may have been in a position to repay £245 for Loan 6.

However, I can see that the only check QuickQuid carried out in June 2012 was to verify an IP address. I don't think that this was enough. It may have relied on earlier searches and as I've outlined earlier, I think that searches carried out during the currency of Mr W's IVA would've revealed it. If QuickQuid had done that and discovered Mr W's IVA then I don't think it's likely its lending decision would've been the same as the one it made at the time.

I don't think that QuickQuid carried out the checks I'd consider to have been proportionate and so I think that it ought to put things right for Mr W for Loan 6 as well.

Loan 7

This month, Mr W's net salary was lower than earlier months and he received the monthly equivalent of about £2,596 (adjusted from £2,396 – June 2013 pay date). His outgoings seem to be much the same. The regular payment of £316 for his IVA was returned unpaid due to insufficient funds. It was paid later in the month. So his outgoings were about £2,500. So that means Mr W would've been left with a balance of less than a £100. The repayment for Loan 7 was about £312.

So if QuickQuid had looked at Mr W's full and detailed financial situation then it would've seen this. And as I've explained earlier, his IVA would've been revealed with proper and proportionate credit searches. So I think QuickQuid ought to put things right for Mr W in relation to Loan 7.

Loan 8

In early October 2012 Mr W was paid the monthly equivalent of about £3,048 (adjusted from £2,800). His normal outgoings were about £2,100. He'd another commitment to a short term lender (Lender A) of £300 at the time he took this QuickQuid Loan on 23rd October 2012. Loan 8 was an eight day agreement and it bridged the gap to his next payday on 31 October 2012.

So if QuickQuid had looked at Mr W's situation then it would've seen that Mr W had about £650 left after these commitments were met. He needed £364 to repay the amount due to QuickQuid. So it seems he had enough.

But I also say that if QuickQuid had carried out a full and detailed financial assessment then it would've seen that the reality was that Mr W was struggling. He'd reached the stage where he was borrowing to pay off borrowings. An example is that on 5 October 2012, Mr W repaid another lender (Lender B) £1,250 which may have related to a credit of £1,000 in August 2012. He seems to have paid Lender B instalment or interest payments in the interim period. And two days before this QuickQuid debt was due, he obtained a £300 loan from Lender B.

Plus I repeat what I've referred to earlier about Mr W's IVA. All this information gives the more general picture of someone who appears to be using the short term loans to prop-up his monthly expenditure, including the IVA repayments.

And QuickQuid is likely to have discovered that one of the reasons for his high expenditure is because he made regular purchases to on-line betting websites with three different companies. Sometimes he won and sums were refunded or credited to his account from those same websites. His cash withdrawals were high and sometimes there are cash credits into his account as well.

So I've looked at the gambling transactions for this period from his 3 October 2012 payday to 30 October 2012 which is the day before his next payday. What is clear is that Mr W seems to have spent 50% of his salary (about £1,550) on gaming/betting and possibly more. And as QuickQuid built a picture it would've seen that this was a regular activity of varying sums each month. Mr W's ability to repay loans in a sustainable way would be questionable in my view. And the responsibility on QuickQuid before lending is to have carried out the appropriate checks.

From all this information I think it would have been clear to QuickQuid that Mr W wasn't able to sustainably afford to take on any additional borrowing. This plus the IVA information I think that QuickQuid ought to have found and taken into account leads me to think that, as a responsible lender, it would not have agreed to give Mr W Loan 8. So I think QuickQuid needs to put things right for Mr W.

Loans 9-22.

QuickQuid has accepted that it ought to have given 'greater consideration' to Mr W's financial position from Loan 9 to Loan 22 and that Mr W 'may have become dependent' on the STLs from QuickQuid. So it's offered to refund the fees and charges on these loans.

This offer plus my findings outlined above relating to Mr W's overall financial position leads me to endorse this offer of recompense by QuickQuid.

Having seen Mr W's pattern of financial management since late 2011 to October 2012 I'd say that he often borrowed from a variety of lenders to fund his other borrowings. He often had some payments which couldn't be met (such as the one to the TV company and to the third party administering his IVA). He was spending large sums of money on his leisure activities of betting/gaming.

A full and comprehensive assessment of Mr W's situation would've revealed this. QuickQuid has accepted its failings in or about November 2012 to March 2014. And I would go further and say that from November 2012 I think that Mr W wasn't able to furnish these loans in a sustainable way and that knowing this as it should've done, QuickQuid ought to have ceased lending to Mr W altogether.

So I'm planning to uphold Mr W's complaints in relation to Loans 1 to 27 inclusive.

Loan 28

In September 2015, Mr W applied for a loan for £400. The last loan to Mr W had been in January 2015 and he'd paid it off in March 2015. The Loan 28 application was almost six months later.

Even though there's a gap here, in view of Mr W's IVA position which would've been ongoing in September 2015, then I think that this is a fundamental piece of information that QuickQuid ought to have verified when Mr W returned to it as a customer in September 2015. And if it had done that then it would've realised that the IVA remained in place. I don't think that this six month gap made much of a difference as to how QuickQuid ought to have approached his application for Loan 28.

So I think that this Loan 28 formed part of the chain of loans commencing December 2011. QuickQuid ought to have carried out a comprehensive review of Mr W's financial situation. By doing that I think it would've seen that Mr W's use of money from short term loan providers had not diminished. His activities of gaming/betting were as prevalent as before and his daily spend varied from nil to £65 to £440.

With the gambling and the other evidence of lenders and debts then Mr W wasn't in a position to repay this loan in a sustainable way. If QuickQuid had done the checks I consider would've been appropriate and proportionate to the level of the proposed loan, it would have seen these facts. And I don't think a responsible lender knowing these details would've considered it wise to lend to Mr W.

My view is that from September 2015 QuickQuid ought not to have lent to Mr W at all. It needs to put things right on the loans it did give him from this date.

the last part of this provisional decision has been omitted as it is superseded by the final decision above.

Loan Table for Mr W and CashEuroNet UK LLC

loan number	loan date	loan amount	date repaid
1	23/12/11	£300	06/01/12
2	15/01/12	£400 top – up (£200)	22/02/12
3	27/02/12	£1,000	21/03/12
4	26/03/12	£400	18/04/12
5	06/05/12	£300	16/05/12
6	02/06/12	£200	13/06/12
7	07/07/12	£250	05/09/12
8	23/10/12	£300	31/10/12
9	11/11/12	£250 + £250 + £250 + £75	27/12/12
10	18/01/13	£200 + £200 + £50 + £350	21/02/13
11	04/03/13	£400 + £75	21/03/13
12	27/03/13	£500	18/04/13
13	25/04/13	£600 + £150 + £50 + £50	16/05/13
14	28/05/13	£200	13/06/13
15	18/06/13	£600	10/07/13
16	27/07/13	£350	07/08/13
17	13/09/13	£400 + £300	02/10/13
18	07/10/13	£500 + £200+£200+£200 +£300	30/10/13
19	04/11/13	£600 + £300	27/11/13
20	18/12/13	£300 + £100 + £200	22/01/14
21	28/01/14	£500 + £300 + £100 + £125 + £175 + £200	19/02/14
22	12/03/14	£200 + £300 + £500	14/05/14
23	04/06/14	£400 + £400 + £200	09/07/14
24	18/07/14	£300 + £250	06/08/14
25	08/09/14	£500	01/10/14
26	08/12/14	£300 + £100	21/01/15
27	26/01/15	£1,050	18/03/15
break of nearly six months			
28	12/09/15	£400	28/10/15
29	02/11/15	£1,000	01/12/15
30	20/12/15	£1,000	04/01/16
31	07/01/16	£350 + £150	11/01/16
32	26/01/16	£500 + £500 + £200	23/02/16
33	01/03/16	£300+ £225 + £175 + £300	16/03/16
34	05/04/16	£500 + £500	22/04/16
35	25/04/16	£600 + £400	08/06/16
36	27/06/16	£400 + £300	06/07/16

37	07/07/16	£1,150	08/07/16
38	23/07/16	£1,000 + £400	03/08/16
39	05/08/16	£1,400	28/09/16
40	29/10/16	£500	01/11/16
41	02/11/16	£500 + £500	11/11/16
42	26/11/16	£500	28/11/16
43	09/12/16	£1,000	13/12/16
44	06/01/17	£400	09/01/17
45	03/02/17	£500 + £200	10/05/17

Solid block of shading – loans on which the business has made offers.

Pale column shading - loans for which our adjudicator thought the complaints ought to be upheld.