

## complaint

Mr D has complained about short-term loans granted to him by Casheuronet UK LLC trading as Quick Quid ("Quick Quid" or the "lender") between March 2010 and April 2015.

## background

The background to the complaint was set out in my provisional decision dated 2 September 2016, a copy of which is attached and forms part of this final decision.

In my provisional decision I set out why I was minded to uphold this complaint. I asked both parties to let me have their final submissions by 16 September. Mr D has accepted my decision but Quick Quid disagreed and said that:

- It verifies consumers' income and Mr D's was verified from the inception of his account.
- It has an internal credit scoring model which it used to assess Mr D's ability to repay his loans. And Mr D was consistently above the minimum approval threshold.
- It agrees that Mr D could have been asked more questions when he was unable to repay his fourth loan. However, it disagrees that this or future loans were unaffordable for Mr D and says it carried out proportionate affordability checks.

Quid Quid also said *"I do agree with you that there [were] signs of financial dependency, and in line with your recommendations, I would like to make an offer during the pockets where Mr [D] showed difficulty repaying by extending his loan multiple times"*. And it offered to refund interest and charges on eight of Mr D's loans. Mr D didn't accept this offer or a later increased offer from the lender. And so this complaint has come to me for a final decision.

## my findings

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time. I appreciate that this will be disappointing for Quick Quid but I have come to the same conclusion as I set out in my provisional decision and for the same reasons. And I wish to say the following in response to Quick Quid's comments:

I accept that Quick Quid may have asked Mr D for his income as part of the application process for all of his loans, though I haven't seen a record of this. I can see from Mr D's bank statements that his income in early 2010 was indeed around £1,300. In my provisional decision I explained why, despite these income levels (and in addition further household income and benefits), Mr D's fourth loan taken out in November 2010 was unaffordable for him.

Mr D had struggled to repay previous loans with Quick Quid, rolling over his second loan several times and his third loan once. I think this should have alerted the lender to inquire further into his circumstances before lending to him again. I don't know what Quick Quid might have done at this point – perhaps asked about Mr D's outgoings or asked to see his bank statements.

I appreciate that Quick Quid has an internal credit scoring model. Quick Quid says that this model is well-designed and its affordability assessments of Mr D ran properly as per its internal policy. However, I consider that by November 2010 Quick Quid was in possession of

further information about Mr D's ability to repay his debts which cast doubt on the conclusions it had drawn up to that point. And I remain of the view that Quick Quid should have carried out further checks then.

Quick Quid is in agreement that Mr D could have been asked more questions when he was unable to repay his fourth loan because he had requested extensions/rollovers to repay it. But it says *"that alone does not make the loan unaffordable, nor future loans. Each lending decision and loan is unique..."* I do not wholly agree with this statement. Mr D's inability to adhere to the terms of his credit agreement strongly suggests to me that the agreement in place was unaffordable for him by that time. It may be that one remedy for this is to extend or rollover the credit. And I don't think that Quick Quid did anything wrong in doing so. However, this happened a number of times with Mr D's second and third loans. So I think this should have prompted Quick Quid to carry out further checks before lending to Mr D again.

Quick Quid mentioned in its response that the regulator at the time was the Office of Fair Trading (OFT) and its guidance required lenders to make an assessment that was proportionate, depending on the type and amount of loan. Quick Quid says that it based its affordability assessment on Mr D's stated income and a credit check. The OFT's guidance also said *"Before granting credit or increasing the amount of credit, creditors should assess a prospective borrower's ability to meet repayments over the life of a loan in a sustainable manner."*

I appreciate that Quick Quid made a unique lending decision each time it agreed further credit for Mr D, either through a new loan or extension or rollover. However, had it carried out what I consider to be reasonable and proportionate checks in November 2010, I think it would have known that not only was the fourth loan it agreed for Mr D unlikely to be affordable but, given his circumstances, further short-term lending to him would be unsustainable and therefore irresponsible.

### **fair compensation**

In my provisional decision I explained why I thought that Quick Quid should have been alerted to the possibility further lending to Mr D could cause him financial distress by the time he applied for another loan in November 2010. I concluded that the lender should have asked for more information then about his circumstances. Had it done so, it would have known that this loan was unaffordable for him. And that further lending would be unsustainable and irresponsible.

Quick Quid should put this right by paying compensation to Mr D, specifically it should:

- refund all interest and charges for the loans Mr D took out from 30 November 2010 to April 2015 (inclusive).
- refund interest and charges for Mr D's flexi-credit account opened in February 2014.
- pay interest on these refunds at 8% simple from the dates of payment to the dates of settlement.
- remove any adverse information about these loans from Mr D's credit file.

**my final decision**

For the reasons set out in my provisional decision, I uphold this complaint and direct Casheuronet UK LLC trading as Quick Quid to pay Mr D compensation as set out in the fair compensation section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 4 November 2016.

Michelle Boundy  
**ombudsman**

## **COPY OF PROVISIONAL DECISION**

### **complaint**

Mr D has complained about short-term loans granted to him by Casheuronet UK LLC trading as Quick Quid (“Quick Quid” or the “lender”).

### **background**

Quick Quid agreed over 20 short-term loans for Mr D between March 2010 and April 2015. It also opened a flexi-credit account for him with an £850 limit in February 2014. (This didn’t run concurrently with any loans.) Mr D says these loans and the flexi-credit agreement were unaffordable for him. And that Quick Quid would have known this and should not have lent to him.

One of our adjudicators has looked into Mr D’s complaint already. He recommended that it be upheld and that Quick Quid refunds the charges Mr D paid for most of his loans and his flexi-credit account. Quick Quid did not agree with this recommendation so the complaint has come to an ombudsman for a final decision.

### **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 have also taken into account the law, any relevant regulatory rules and good industry practice at the time.

In making this decision I have considered whether or not Quick Quid did everything it should have when assessing Mr D’s credit applications. And, following on from this, I have considered whether any assessment failings resulted in Quick Quid agreeing to lend to Mr D when it should reasonably have known that it would be difficult for him to repay.

Our adjudicator felt that by July 2011, Mr D’s income was not enough to support his borrowing from Quick Quid. So our adjudicator’s view is that Mr D’s borrowing was not affordable for him from this point. And, had Quick Quid carried out appropriate checks, it would have seen this and not continued to lend to him.

I agree with our adjudicator. However, I think Mr D’s loans were causing him financial distress prior to this point. And, when Quick Quid came to assess Mr D’s application for a loan of £250 at the end of November 2010, I think it should have looked closer at his circumstances before agreeing to lend to him.

I plan to uphold Mr D’s complaint and to ask Quick Quid to refund him all of his borrowing charges from November 2010 onwards. I appreciate that this will be disappointing for Quick Quid but I hope my explanation makes clear why I have reached this conclusion.

When Quick Quid disagreed with our adjudicator, it said that:

- It ran credit and affordability checks each time a loan was requested.
- Mr D wasn't financially dependent on its lending because there were a number of significant breaks between his loans and he sometimes borrowed a lower amount than he had previously.
- There was never any indication that Mr D was experiencing financial difficulty during his time with it. Mr D sometimes earned interest credits, for example. And Quick Quid has a 'hardship solution' available for customers experiencing financial detriment should Mr D have needed this.
- Quick Quid offered a repayment refund of £350 in an attempt to resolve this complaint but Mr D rejected this offer.

From everything I've seen I think it's likely that Quick Quid carried out periodic credit checks on Mr D. However, it provided one record about Mr D's income, which is from February 2015. The expenditure records I've seen begin from this point also. So I don't know that Quick Quid inquired about Mr D's income and expenditure any earlier than this.

I disagree with Quick Quid's view that Mr D wasn't dependent on its lending because he didn't borrow continuously from it and the principal he borrowed fluctuated. Borrowing continuously or borrowing increasingly higher amounts may indicate a dependency but this does not mean the reverse is true. And, from what I've seen, Mr D may not have borrowed from Quick Quid each month but he did borrow from it regularly.

I also disagree with Quick Quid's view that there was no indication that Mr D was experiencing financial difficulty during the time he borrowed from it. Mr D took a second loan at the end of April 2010. He borrowed £250 and didn't manage to repay this principal amount until mid-September, rolling this loan over four times. Mr D's third loan was for £100, and it seems he rolled this over once, repaying the principal after seven weeks. And it took him six months to repay his fourth.

Mr D has provided recent copies of his credit file. His bank has provided statements for two accounts dating back to early 2010 - a joint account he holds with his wife and a sole account. From these, I can see Mr D's monthly household income comprised his and his wife's salary and child tax credits. In addition to mortgage and council tax repayments, personal loans and credit cards, utilities and living expenses, Mr D's regular outgoings also included gambling expenses.

From the account history Quick Quid provided it's clear to me that Mr D struggled to repay his loans early on. As mentioned, he rolled over his second loan several times and his third loan once. By the time Mr D applied for his fourth loan, I think his financial commitments, combined with his history of gambling expenditure, meant that it was significantly likely he would not be able to repay further borrowing. Mr D took six months to repay the £250 he borrowed from Quick Quid that November. And he paid £300 in interest and charges for this loan. Mr D went on to borrow many more loans from Quick Quid and other short and long-term lenders.

Mr D said in his complaint to Quick Quid *"I have been borrowing more often and in larger amounts as time went on. Your payday loans trapped me into an unbearable debt spiral, with the loan repayment taking a huge chunk out of my wages, so then I had to borrow again from you and from other payday lenders to cover my next month's living expenses."*

I would have expected Quick Quid to have assessed Mr D's ability to repay his November loan, given that he had not been able to repay his previous two loans within the agreed time. As mentioned, I

can't see that Quick Quid asked Mr D about his income and it could have inquired about his outgoings or asked to see his bank statements. Had Quick Quid carried out what I consider to be reasonable and proportionate checks in November 2010, I think it would have known that, due to Mr D's circumstances, the fourth loan it agreed for him was unlikely to be affordable. And that further short-term lending to him would be unsustainable and therefore irresponsible.

In February 2014 Quick Quid agreed a flexi-credit account for Mr D with a limit of £850. The credit agreement stipulated that he should repay 10% of the principal plus interest accrued each month. This meant he needed to repay £120 the following month as a minimum. At this point, Mr D's wife was not working and his monthly household income comprised his salary (about £1,600) plus child benefit of £135. Mr D was spending over £1,500 on his mortgage and long-term lending commitments. He was also borrowing from other short-term lenders and had, for example, repaid £185 to one in the previous month. It's clear to me that this flexi-credit account was not affordable for Mr D.

In summary, most of Mr D's borrowing from Quick Quid was unaffordable for him. And, had Quick Quid carried out proportional checks it should have recognised this and not lent to him. In order to put this right, Quick Quid should:

- refund charges, including interest, for the loans Mr D took out from 30 November 2010 to April 2015 (inclusive).
- refund charges, including interest, for Mr D's flexi-credit account opened in February 2014
- pay interest on these refunds at 8% simple from the dates of payment to the dates of settlement.
- remove any adverse information about these loans from Mr D's credit file.

### **my provisional decision**

I am minded to uphold Mr D's complaint and require Casheuronet UK LLC trading as Quick Quid to pay him compensation as set out above.

I'll wait two weeks to see if either party has anything further to add – before considering my decision on this complaint once more.

Michelle Boundy  
**ombudsman**