

complaint

Mr K complains that CashEuroNet UK LLC (trading as Quick Quid) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and removes information about the loans from his credit file. Mr K is represented by a claims management company.

background

Mr K took out 27 loans between August 2011 and December 2013. His representative says Mr K's borrowing pattern should have alerted Quick Quid to a possible problem. Had it made proper checks, it would have known the loans weren't affordable.

The adjudicator recommended that the complaint should be upheld. She said Quick Quid hadn't made proportionate checks before lending to Mr K. Had it asked about Mr K's income and normal expenditure, it was likely it would have assessed the first loan as affordable. But the second loan was for twice the amount and Quick Quid should also have asked about Mr K's short term commitments. In August 2011 Mr K's monthly income was £2,000 and his normal expenditure was £1,100. But he paid about £2,360 to other short term lenders. This pattern continued throughout the period he borrowed from Quick Quid. Had it made better checks, Quick Quid would also have seen that Mr K had large gambling losses. Lending to him wasn't responsible or affordable.

The adjudicator said that Quick Quid should refund interest and charges on the second and later loans, with interest at 8%, and remove adverse information about the loans from Mr K's credit file.

Quick Quid didn't agree. It said the amounts borrowed fluctuated and there were gaps in lending which suggested Mr K wasn't reliant on short term loans. Quick Quid said Mr K is responsible for how he spends his income and would have had more disposable income if he hadn't taken part in gambling. It said if Mr K had told it about his problems it wouldn't have lent to him. Quick Quid said it had asked about Mr K's expenditure, such as rent, but didn't retain the information. Quick Quid offered to refund interest and charges on some of the loans, which Mr K didn't accept.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Loan 1

Mr K took out the first loan, of £250, in August 2011. The repayment due was £323.75. Mr K said his monthly income was £2,100. I think, given the amount of the loan and Mr K's stated income, Quick Quid should have asked about Mr K's normal living expenses and regular financial commitments. Had it done so, I think it's likely it would have assessed the loan as affordable. Mr K's monthly living costs and regular financial commitments were about £1,100, which left enough income to repay the loan.

Loans 2 to 21

Mr K took out the second loan, of £650, in September 2011. This required a repayment of £841.75. Given the amount of the loan and Mr K's stated income, I think Quick Quid should have asked about his short term commitments as well as his normal living costs and financial commitments. Had it done so, it would have known Mr K had short term commitments of more than £2,300 when he took out the second loan. The loan wasn't affordable.

Mr K took out the third loan, of £650, in October 2011. He told Quick Quid his monthly income was £1,890. Given the amount of the loan, Mr K's stated income and that this was his third loan in three months Quick Quid should have asked for information to gain a full understanding of his financial circumstances. While there are different ways of doing this, one is to look at his bank statements, as I've done.

Mr K's bank statements for September and October 2011 show transactions with gambling businesses and other short term lenders. He made payments to gambling businesses in October 2011 (net of credits) of more than £6,400. He borrowed £539 (on which he'd have owed interest) from another short term lender in October 2011 before taking out the loan with Quick Quid. He also had to meet his usual outgoings. The third loan wasn't affordable.

Mr K took out another 18 loans between December 2011 and November 2012. Quick Quid says there were gaps between some of the loans of up to 36 days. I don't think there were sufficient gaps between any of these loans that would make it reasonable for Quick Quid to lend without making further checks. Given Mr K's borrowing pattern, Quick Quid should have asked for information to gain a full understanding of his financial circumstances before lending to him. Had it done so, it would have known that Mr K's financial circumstances didn't improve during this period. These loans weren't affordable.

Loans 22 to 27

There was a break in lending between Mr K repaying a loan in November 2012 and taking out his 22nd loan in August 2013. The loan was for £1,300. While Quick Quid says this was repayable over three months its records don't support this. It emailed Mr K when he took out the loan saying a repayment of £1,683 was due at the end of August 2013. Quick Quid's records suggest the loan was repaid over three months because Mr K didn't repay it on time and Quick Quid offered a payment arrangement.

When he took out the loan, Mr K said his monthly income was £2,700. I think, given the amount of the loan repayment, Quick Quid should have asked for information to gain a full understanding of Mr K's financial circumstances.

Mr K's bank statements show that during July 2013 he paid over £1,000 to other short term lenders and borrowed £1,100 (on which he would have owed interest). He made payments of more than £1,500 to other short term lenders during August 2013, when the loan repayment was due. Mr K's account had an unauthorised overdraft and there are payments to gambling businesses. I think if Quick Quid had made proportionate checks it would have known Mr K had financial difficulties and couldn't afford to repay the loan.

Mr K took out five loans and one top up loan between October and December 2012. Most of these required a repayment of more than £1,500. I think, given the amounts of the loans, Mr K's borrowing pattern and the difficulty he had repaying the 22nd loan, Quick Quid should

have asked for information to gain a full understanding of his financial circumstances before offering these loans. Had it done so, it would have known the loans weren't affordable.

What should happen now?

I don't think Quick Quid should have agreed to lend to Mr K after, and including, the second loan (taken out in September 2011). So for each of those loans Quick Quid should:

- Refund all interest and charges that Mr K paid on the loans*;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement**;
- Remove any negative information about the loans from Mr K's credit file and instruct the third party that bought the debt from Quick Quid to do the same.

*This includes interest and charges paid by Mr K to the third party that bought the debt from Quick Quid.

Mr K says he's repaid the debt. If this isn't the case, Quick Quid should buy the debt back before applying the redress described above. If this isn't possible, it should work out how much of the debt it sold to the third party was made up of interest and charges. It should pay this amount to the third party (less any amount Mr K paid to the third party and which Quick Quid refunded to him) so the outstanding debt is reduced.

**HM Revenue & Customs requires Quick Quid to take off tax from this interest. Quick Quid must give Mr K a certificate showing how much tax it's taken off if he asks for one. If Quick Quid intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.

my final decision

My decision is that I uphold this complaint. I order CashEuroNet UK LLC to take the steps and pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 November 2017.

Ruth Stevenson
ombudsman