

complaint

Mr W says Quidie Limited irresponsibly lent to him. He says Quidie did not carry out the checks it should've done and it acted improperly when it gave him the loans. He says this caused him significant financial hardship.

background

This complaint is about nine payday loans Quidie provided to Mr W. The first three were provided in April and May 2015. Loans 4 to 9 were provided between May and October 2018. Mr W's lending history is as follows:

loan number	date started	amount borrowed (£)	term (days)	date ended
1	01/04/2015	180	23	24/04/2015
2	05/05/2015	200	17	22/05/2015
3	22/05/2015	200	33	24/08/2015
break in lending				
4	02/05/2018	150	96	02/05/2018
5	16/06/2018	150	77	16/06/2018
6	10/08/2018	350	21	15/08/2018
7	16/08/2018	350	15	31/08/2018
8	01/09/2018	500	27	28/09/2018
9	28/10/2018	500	94	28/01/2019

Loans 4, 5 and 9 had three repayments. The remainder had only one. I also see that Quidie declined a number of Mr W's loan applications in 2018.

Our adjudicator upheld Mr W's complaint. He thought that loans 2 and 3 and loans 6 to 9 shouldn't have been given.

Quidie disagreed, it said that:

- there were no signs of financial problems on Mr W's credit reference agency data
- Mr W's lending history also didn't show any problems with financial management or gambling. He used all of his loans correctly for 'financial bridging'
- he wasn't in a 'debt spiral'. The outstanding debt shown on credit reports decreased at times

As no agreement was reached the complaint has been passed to me – an ombudsman.

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.

Mr W didn't disagree with our adjudicator's opinion about loans 1, 4 and 5. Because of this I don't think there is any ongoing disagreement about these loans. So I won't be making a decision about this lending. But they were part of the borrowing relationship Mr W had with Quidie. So they are something I will take into account when considering the other loans he took.

Quidie 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 W 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 Quidie 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).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Quidie was required to establish whether Mr W could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis 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 Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties, and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. So it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

Loan 2 was taken a short time after loan 1 was repaid and it was for an increased amount. Mr W went on to take out loan 3 the same day as he repaid loan 2. There was a break in the lending between loans 3 and 4. But when Mr W came to take loan 6 he had taken a number of loans over a short period of time and the amounts were increasing. This carried on throughout loans 7, 8 and 9. So Mr W was, overall, consistently borrowing increasing amounts in quick succession.

It's also reasonable to say that, during the time Mr W borrowed from Quidie, he had other debts. Quidie was aware of some of these as they were shown on the credit reference agency data it looked at. And his level of debt remained fairly stable throughout (albeit I accept it did decrease at times).

So, because of this, Quidie should've been concerned that Mr W may be having longer term financial problems before it approved loans 2 and 3; and loans 6 to 9.

So I think that before approving loans 2, 3, 6 and 7 it would've been proportionate to find out about Mr W's normal monthly living costs and regular financial commitments including any existing short-term lending. And I think that before approving loans 8 and 9 it needed to carry out a full review of Mr W's finances. These checks were to make sure Mr W was in a position to make the loan repayments sustainably.

But I don't think Quidie did this. I can see that it asked Mr W about his income before lending and it asked him about his expenditure before approving some of the loans. But it doesn't seem to have accurately found out about his other short term lending, and I don't think it fully reviewed his finances. So I need to think about what Quidie would've seen if it had carried out proportionate checks.

Mr W has provided some information about his financial circumstances which includes his bank statements and a recent credit report. I accept that this isn't exactly what Quidie would've seen at the time. But I think it would've found out similar information if it had carried out proportionate checks, so I think it's reasonable to rely on it.

The information provided showed that when Mr W applied for loans 2 and 3, he had already been borrowing and repaying significant amounts from other short term lenders. These loans would've left Mr W with a low disposable income before any additional lending. So, if Quidie had found out about this other lending, I don't think it could've reasonably said that Mr W would be able to sustainably make the repayments on loans 2 and 3.

Mr W's financial situation hadn't improved when he took loans 6 and 7 later on. He was still using other short term lenders but the amounts had increased significantly. He was now, at times, borrowing and repaying over £1,000 each month. So, I don't think Quidie could've said that Mr W could've sustainably made the repayments to loans 6 and 7 either.

Our adjudicator explained, Mr W was spending significant amounts on gambling each month. This expenditure was far in excess of the amount he was earning, and Quidie should've found out about this before approving loans 8 and 9 when it fully reviewed his finances. So I don't think Quidie could've reasonably said that Mr W would be able to sustainably make the repayments towards loans 8 and 9 because of this.

So I don't think it's reasonable for Quidie to say that Mr W was using the loans for their intended purpose – financial bridging. The information Mr W has provided shows a sustained use of short term lending over time to support significant amounts of gambling.

I think that Quidie would've found out the information I've outlined above if it carried out proportionate checks. And I think Quidie would've seen Mr W wouldn't have been able repay the loans in a sustainable way. So I think that Quidie shouldn't have given loans 2 and 3 and loans 6 to 9 to Mr W, and I think he's lost out as a result of this. So I'm upholding Mr W's complaint about these loans.

putting things right – what Quidie needs to do

- refund all interest and charges Mr W paid on loans 2, 3 and loans 6 to 9
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove any negative information about loans 2 and 3; and loans 6 to 9 from Mr W's credit file;

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

my final decision

For the reasons I've explained, I partly uphold Mr W's complaint.

Quidie Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr W to accept or reject my decision before 5 August 2019.

Andy Burlinson
ombudsman