complaint

Mr F says CashEuroNet UK LLC, trading as QuickQuid, lent to him irresponsibly.

background

QuickQuid approved 11 loans for Mr F, plus 16 'top-ups' (this is where an extra amount is borrowed during the term of the loan) between 19 August 2014 and 3 June 2017.

An adjudicator considered this complaint and recommended it be upheld in part. She said QuickQuid shouldn't have approved any of the lending from the top-up on loan three, which was approved on 13 March 2015, onwards.

Quick Quid didn't agree with the adjudicator. It said it had carried out affordability checks in line with what was required of it. As there was no agreement, the complaint's been passed to me to decide. My decision will only address the loans still in dispute – that is loans or top-ups approved by Quick Quid on or after 13 March 2015. I may refer to earlier loans, but only to provide context in terms of the history of lending.

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, good industry practice and any relevant regulations at the time.

Relevant regulations and guidance include the Financial Conduct Authority's (FCA) Consumer Credit sourcebook (CONC). CONC contains rules and guidance for lenders about responsible lending. Among other things, CONC says lenders should carry out affordability checks which are proportionate. The regulations also say repayments should be sustainable (*i.e.* repayable from the borrower's income or savings) and that lenders shouldn't allow a borrower to enter into consecutive credit agreements where it would be unsustainable to do so. The same guidance also notes that payday loans are not appropriate for borrowing over long periods of time (CONC 6.7.21-22G).

With this in mind, I've taken into account whether QuickQuid carried out proportionate checks for the loans in dispute. And if I think it didn't, I've considered what I think proportionate checks would likely have shown – taking into account information provided by both QuickQuid and Mr F.

did Quick Quid carry out proportionate checks?

At the time it approved loan three and the top-ups, QuickQuid had recorded Mr F's net monthly income as £1,350. It had also asked Mr F about some of his monthly living expenses, which it recorded as a total of £725. This included monthly housing expenses of £150, £75 towards utilities and monthly 'other' credit commitments of £350. QuickQuid also says it carried out a credit check – although it's not been able to show us what its check showed at this time. Quick Quid says it asked Mr F specifically to include short-term commitments, but I've not seen clear evidence that this question was put to Mr F – only an undated generic screenshot. So I'm not persuaded QuickQuid asked Mr F a clear question about his short-term commitments.

I don't think these checks were proportionate in the circumstances of the top-up on loan three. And I think subsequent checks were also not proportionate. I'll explain why.

By the time Mr F applied for the top-up on loan three, on 13 March 2015, he'd been borrowing from QuickQuid for a little over six months. In this time, Mr F had eight loans or top-up amounts approved by QuickQuid. From the information provided by QuickQuid, I can see the first loan was initially for just £100, repayable at total cost of £188.50 over 73 days. The loan was topped up three times, on 19, 20 and 21 September 2014. As a result of the top-ups, the total amount repaid was £415.19. The second loan was similar, also initially for £100 but with a term of 40 days; the total amount repayable was originally £126.65. Loan two was topped up twice, so the total amount repaid was actually £254.26. There was a 21 day gap between the first and second loan.

There was then a break of 39 days until QuickQuid approved the third loan. This was initially for £150, over 51 days, at a total cost of £195.90. As I've mentioned, this loan was topped up three times and the total amount repaid was £414.40. So although the initial amount borrowed was small relative to Mr F's declared income, I don't think QuickQuid placed enough weight on what it knew about the history of lending when carrying out its checks. CONC 6.7.22G provides guidance for business and says:

"A firm should not allow a customer to enter into consecutive agreements with the firm for high-cost short-term credit if the cumulative effect of the agreements would be that the total amount payable by the customer is unsustainable."

The same guidance refers back to the Office of Fair Trading's Irresponsible Lending Guidance, specifically paragraph 6.25. This says:

"The purpose of payday loans is to act as a short-term solution to temporary cash flow problems experienced by consumers. They are not appropriate for supporting sustained borrowing over longer periods, for which other products are likely to be more suitable."

I think the history of lending in Mr F's case, by 13 March 2015, suggests the cumulative effect of the lending *may* have been that Mr F's indebtedness was increasing unsustainably. This is indicated by the short gaps between the loans and frequent use of top-ups – behaviour which suggests Mr F was often running out of money in a short space of time, which could mean the lending wasn't sustainable. And given that the advance of 13 March 2015 was the ninth advance approved by QuickQuid in just over six months, I also think it ought to have been sceptical that Mr F was using its products to help deal with a temporary cash flow problem.

With this in mind, I think QuickQuid's checks should've been proportionate to the risk of the lending being potentially unsustainable and the risk of Mr F's cash flow problems (if any) not being temporary. And because I think there were indications Mr F was reliant on short-term credit, I think QuickQuid should've asked Mr F to explain separately if he had any other short-term commitments. This is in addition to the questions it actually asked.

From 4 May 2015 onwards, I think QuickQuid's checks should've gone further still. Mr F's fourth loan was approved just four days after Mr F repaid loan three, giving the strongest indication to date that the lending wasn't sustainable. To check if Mr F's income and expenditure were actually as stated, I think QuickQuid ought to have asked him for some proof of these – which could, for example, include looking at bank statements and/or payslips.

what would proportionate checks have shown?

If QuickQuid had asked Mr F about his other short-term commitments when Mr F asked for the 13 March 2015 top-up, I think it's likely it would've seen he had substantial existing short-term payments to make. From what I've seen, Mr F's declared usual living costs plus his other short-term commitments were almost as much as his declared income of £1,350. So I don't think QuickQuid would've approved the top-up of 13 March 2015, or the other top-ups on loan three.

And had QuickQuid asked Mr F for proof of his income and expenditure from 4 May 2015 onwards, I don't think it would've approved it or subsequent loans. I say this because I think QuickQuid would've likely become aware Mr F was using short-term credit to finance substantial spending on gambling.

To provide an example – in May 2015 I can see (from bank statements) Mr F spent around £1,000 on gambling, across about 40 transactions. I think it's clear that these are being funded by borrowing, primarily from short-term lenders. In the same month, Mr F borrows over £700 from other short-term lenders. So I think if QuickQuid had seen either the extent of Mr F's short-term debt, or the extent of his gambling expenditure (which Mr F now describes as an "addiction"), it would've likely declined to lend to him. And to be clear, I think a proportionate check would've likely made QuickQuid aware of both issues.

I've looked through Mr F's bank statements for the rest of the period of lending and I don't think the situation improves. Similar levels of short-term debt and/or gambling appear on much more recent statements and on statements throughout the period of lending. In the circumstances, if Quick Quid had carried out proportionate checks, I don't think it's likely it could've responsibly approved the loans and top-ups from 4 May 2015 onwards.

I've considered everything QuickQuid has said – including its response to the adjudicator. It says its checks were always proportionate and that the amounts lent were low in comparison to what it estimated Mr F's disposable income to be. But as I've said above, I don't think its checks were always proportionate. The checks appear to essentially be the same throughout the period of lending and don't appear to change to respond to the frequency of the lending or the increasing amounts lent. Nor do the checks appear to change to take into account the sustainability of the lending in a situation where there were numerous consecutive credit agreements. I've set out above what I think proportionate checks are likely to have revealed. So the points raised by QuickQuid haven't changed my conclusions.

what QuickQuid needs to do to put things right

QuickQuid must:

- refund fees and charges paid by Mr F on loans and top-ups granted on or after 13 March 2015
- add to the above interest at 8% simple per year, from when Mr F paid them until the date of settlement†
- remove any adverse information about these loans from Mr F's credit history

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

my final decision

I uphold this complaint. CashEuroNet UK LLC must put things right by taking the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 5 October 2018.

Matthew Bradford
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