

complaint

Mr K complains that CashEuroNet UK LLC (trading as Quick Quid) lent to him irresponsibly. Mr K is represented by a claims management company. His representative asks that interest and charges are refunded, with 8% interest, and any remaining balance is written off. It also asks that Quick Quid pays compensation.

background

Mr K took out 14 loans with Quick Quid between February 2010 and August 2013. He took out an open ended credit loan with Quick Quid in August 2013 which he used until February 2015. Mr K's representative says the loans made his financial situation worse.

The adjudicator said:

- Quick Quid objected to us looking into Mr K's complaint about loans 1 to 7 which were taken out more than six years ago. Mr K accepted we'd only look into the loans taken out within the last six years.
- Mr K's complaint about loans 8 to 13 should be upheld. He said Quick Quid didn't carry out proportionate checks before offering these loans. It should have asked for information about Mr K's expenditure and financial commitments and for evidence to support what he said. If Quick Quid had carried out appropriate checks it would have seen Mr K's use of short term loans, other debts and spending on gambling transactions meant further lending wasn't responsible or affordable. In the month before taking out loan 8 Mr K spent over £2,200 on gambling. He spent over £6,000 in the months before taking out loans 9 and 10.
- Quick Quid offered to refund interest, with 8% interest, and remove information about loan 14 from Mr K's credit file. The adjudicator said this was fair.
- Quick Quid didn't carry out proportionate checks before offering the open ended credit loan. It should have asked for more information about Mr K's expenditure and financial commitments to assess whether the monthly repayments were affordable. Had it done so, it would have seen that Mr K couldn't afford the repayments.
- While Quick Quid said it was reliant on Mr K providing truthful information about his income and outgoings, the adjudicator didn't agree. He said Mr K borrowed for a considerable amount of time and there is a point at which it's Quick Quid's responsibility to validate the information Mr K provided and ensure the lending is affordable.

The adjudicator said Quick Quid should refund interest and charges on loans 8 to 13 and the open ended credit loan, with 8% interest, and remove adverse information about the loans from Mr K's credit file.

Quick Quid said Mr K didn't tell it about his gambling and as this isn't necessary spending it wouldn't be able to take this into account. It said gambling shouldn't take precedence over loan repayments. It said Mr K was asked to update his income and expenditure before each loan and it was entitled to rely on the information he provided. It asked for details of Mr K's essential monthly expenditure.

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.

Quick Quid objected to us looking into Mr K's complaint about loans 1 to 7 as they were taken out more than six years before he complained. Mr K accepts that we are only considering his complaint about loans 8 onwards. I will of course take account of loans 1 to 7 when considering Mr K's relationship with Quick Quid and what Quick Quid knew about Mr K.

Mr K took out the following loans with Quick Quid after mid August 2011:

Loan number	Date	Amount	Repaid date
8	03.09.2011	£1,000	30.09.2011
9	03.11.2011	£700	01.02.2012 *
10	22.07.2012	£250	02.09.2012 *
11	09.12.2012	£200	31.12.2012
12	02.01.2013	£1,000	28.03.2012
13	13.04.2013	£450	26.04.2013
14	10.05.2013	£300	27.08.2013
Open ended credit	27.08.2013	£1,500 max	02.02.2015 *

*late fees applied

Quick Quid was required to lend responsibly. It had to make checks to see whether Mr K could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr K was borrowing, the amount of the repayments and his lending history.

Mr K had already taken out 7 loans with Quick Quid between February 2010 and August 2011. There was no significant break in his borrowing during this time. Late fees were applied to three of the loans. Loan 7 (for £1,500) was repaid on 31 August 2011.

I think Mr K's repeated borrowing should have alerted Quick Quid to a possible problem, such as reliance on short term loans. I don't think it was reasonable for Quick Quid to rely on Mr K responses to its standard application questions when he asked for loan 8. I think it should have asked for evidence to support what he'd said and 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.

Had Quick Quid made proportionate checks, it would have been alerted to two possible problems.

Mr K's bank statements show he was spending most of his stated income on gambling. He spent about £2,300 on gambling in August 2011. This wasn't unusual: Mr K's bank statements show he spent about £2,400 on gambling in May 2011 and about £1,500 on gambling in June 2011. Spending on gambling continued during the period Mr K borrowed from Quick Quid.

Mr K's bank statements would also have alerted Quick Quid to a possible problem with his use of short term loans and his other indebtedness. Mr K's bank statements show he'd been taking out loans with a number of short term lenders throughout 2011. In August 2011 Mr K paid about £1,300 to other short term lenders.

Quick Quid asked for details of Mr K's *essential* expenditure. It says gambling isn't essential and it wouldn't take this into account when assessing affordability. I don't find this reasonable. Regardless of Quick Quid's view that gambling is a leisure activity, it's clear that Mr K *was in fact* spending significant amounts on gambling each month. It seems unlikely this would change. A responsible lender might decide this in itself would make further lending inappropriate. But that aside, given the regularity and amounts Mr K spent on gambling, it is something a responsible lender ought to take into account.

In September 2011, when Mr K took out loan 8, his bank statements show payments for personal loans and credit cards of about £1,930, payments to short term lenders other than Quick Quid of about £865, and payments for food, groceries, travel, clothes and phone/media of about £1,700. Mr K also made a payment of about £850: he makes a payment to this payee each month so I think this is a regular expense. He withdrew cash of about £330. So his living expenses and financial commitments were about £5,675.

Mr K had told Quick Quid his monthly income was £2,920. His actual income at this time was higher than this, but wasn't consistent. I don't think, even if it had known Mr K's income was higher than he'd stated, it would have been reasonable for Quick Quid to assess the loans as affordable. Even in months where Mr K's income was enough to meet his living expenses and debt repayments, once the cost of his gambling is taken into account the loan repayments aren't affordable. And, given the amount of his indebtedness, Quick Quid should have considered the possibility that Mr K was borrowing to repay existing debts.

I think Quick Quid should have carried out a full review of Mr K's financial circumstances before offering any further loans and the open ended credit loan. Had it done so, it would have known that Mr K's circumstances didn't improve.

For instance, in July 2012 Mr K made debt repayments of over £2,200 (not including payments to Quick Quid). He made payments of about £1,400 for food, groceries, transport, travel and phone/media. He made a payment of £1,600 to a payee that he made a payment to each month. He also made payments to gambling businesses. His income was £3,700.

In April 2013 Mr K made debt repayments of over £4,300 (not including payments to Quick Quid). His income was £3,900. He also had living expenses and made payments to gambling businesses.

I think if Quick Quid had made proportionate checks it would have known Mr K couldn't afford further borrowing.

what should happen now?

I don't think Quick Quid should have agreed to lend to Mr K after, and including, loan 8 (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.

*HM Revenue & Customs requires Quick Quid to take off tax from this interest. It must give Mr K a certificate showing how much tax it's taken off if he asks for one.

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 2 August 2018.

Ruth Stevenson
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