

complaint

Mr D says CashEuroNet UK LLC, trading as Quick Quid, lent to him irresponsibly. He says that the loans were not affordable and that Quick Quid didn't carry out proper checks on his income and expenditure. Mr D adds that he was stuck in a 'debt cycle' with multiple lenders.

background

I issued my provisional decision on this complaint on 16 July 2018. I've attached it here and it forms part of my final decision. In it I explained why I thought the complaint should be upheld in part and asked both parties to let me know if they had anything to add.

Mr D didn't have anything to add and accepted my proposed resolution. Quick Quid didn't agree with my provisional findings. It said (in summary):

- there is no plausible way it could have known about Mr D's gambling with the information it collected
- it was given no indication it should look into gambling habits
- I indicated that there was no gambling before loan 4, so Mr D's gambling at the time of loan 4 could have been a one-time event
- it isn't fair to hold Quick Quid responsible for Mr D's gambling

I've considered everything Quick Quid has said and have set out my findings below.

my findings

I've again 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.

Having done this, I'm not departing from my provisional findings. I'll explain why.

I'd like to start by explaining that I didn't state in my provisional decision that there was no indication of gambling prior to Mr D applying for loan 4. What I said is that the sort of checks I think Quick Quid ought to have carried out would've likely made it aware of Mr D's gambling expenditure at this point.

Had Quick Quid asked Mr D for proof of his expenditure, I am still satisfied that it's likely it would've become aware of Mr D's gambling expenditure. I also think it's likely it would've seen that this wasn't, as it has suggested, a one-off event, but a persistent feature of Mr D's expenditure. I've seen many months (and years) of Mr D's bank statements which support this.

Quick Quid has also said it couldn't have known about Mr D's gambling expenditure from the information it collected. Even if that's correct, this doesn't change my decision. I thought that Quick Quid's affordability checks didn't go far enough for loans 3 and 4 – in other words, it didn't obtain enough information from Mr D. I've taken into account what I think proportionate checks are likely to have shown and I do not accept it is implausible that Quick Quid could have identified that there were issues with Mr D's expenditure. I think it's likely proportionate checks would have identified that Mr D couldn't repay loan 4 sustainably.

Finally, I did not suggest Quick Quid was accountable for Mr D's gambling expenditure. But its responsibilities do include carrying out proportionate affordability checks, which among other things should ensure that loans could be repaid sustainably. As I said in my provisional decision:

"Mr D's regular spending on gambling makes it clear any new borrowing was unlikely to be repaid sustainably. So whilst I know Quick Quid has said it's up to Mr D to decide how to spend his money, I don't think a responsible lender would lend if it knew how much money Mr D was spending each month."

Quick Quid hasn't changed my mind on this, or any other point. So I'm upholding the complaint in part, for the reasons given above and in my provisional decision

my final decision

I uphold the complaint in part. CashEuroNet UK LLC must put things right by taking the steps set out in my provisional decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 1 September 2018.

Matthew Bradford
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr D says CashEuroNet UK LLC, trading as Quick Quid, lent to him irresponsibly. He says that the loans were not affordable and that Quick Quid didn't carry out proper checks on his income and expenditure. Mr D adds that he was stuck in a 'debt cycle' with multiple lenders.

background

Mr D had four loans with Quick Quid, the first three were payday loans and the fourth a 'Flex Credit' facility. The Flex Credit Facility allowed Mr D to make drawdowns up to a credit limit. I've set out some of the information Quick Quid has provided about the loans in the table below.

Loan no.	Date borrowed	Contractual end date	Actual end date	Amount borrowed	Highest repayment
1	23/04/2014	11/07/2014	12/05/2014	£400	£482.60
2	19/05/2014	06/07/2014	06/06/2014	£600	£759.30
3	06/06/2014	11/09/2014	08/07/2014	£750	£971.25
4	10/07/2014	<i>open-ended</i>	08/05/2015	£950 (<i>limit</i>)	£343.96 (<i>variable</i>)

An adjudicator considered the complaint and recommended it be upheld in respect of loans 3 and 4. He didn't think Quick Quid had always carried out proportionate checks and that if it had, it would've seen these loans were likely to be unaffordable to Mr D. This was in large part due to the amount Mr D was spending on gambling.

Quick Quid didn't agree with the adjudicator, so the complaint has come to me to decide.

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've taken into account the law, good industry practice and any relevant regulations at the time.

Relevant regulations include the Financial Conduct Authority's Consumer Credit sourcebook (CONC).

CONC makes it clear lenders have a duty to lend responsibly – this includes undertaking proportionate affordability checks to try and ensure customers can repay loans sustainably. The definition of a sustainable repayment includes that payments should be made from income and/or savings, without undue difficulty and while meeting other reasonable commitments. There's no prescriptive list of the sort of checks a lender should carry out, but the regulations say lenders may wish to take into account factors such as the type of credit, a customer's credit history and their existing financial commitments.

The regulations also say that payday lending isn't suitable for use over the long-term (CONC 6.7.21-22G) and that lenders should assess whether credit, including credit borrowed under open-ended agreements, could be repaid within a reasonable period of time (CONC 5.2.1R (2) (b)). Lenders should also monitor accounts for signs of financial difficulty and not allow borrowers to enter into agreements which might be harmful.

I've considered Mr D's complaint with all this in mind.

did Quick Quid carry out proportionate checks?

Throughout the period of lending, Mr D declared his net monthly income was £5,240 a month. Quick Quid also asked him about some of his expenditure and between loans 1-3 it has recorded 'total monthly living expenses' of £1,300. The figure isn't broken down.

For loan 4, Quick Quid recorded Mr D's declared total living expenses as £1,425 – this was broken down as follows: £350 for housing, £100 for utilities, £100 for transport, £250 for food, £450 for monthly 'other' credit commitments and £175 for monthly 'other' expenses.

Quick Quid says it also verified some of these figures against Mr D's credit report. I should make it clear I've seen very little detail about what Quick Quid obtained from its credit history checks as it has only shown us the outcome of its anti-money laundering check. This means I don't know how what Quick Quid saw from its credit check compares to what Mr D told it.

Bearing in mind what it was told about Mr D's income, I think Quick Quid's checks for the first two loans were proportionate. Quick Quid had only limited information about Mr D's expenditure, but given the difference between Mr D's declared income and declared monthly outgoings, which was £3,940, I think Quick Quid could reasonably have decided the loans were likely to be affordable. I'm not therefore planning to uphold the complaint about these loans.

But I think Quick Quid ought to have carried out further checks when Mr D returned for loans 3 and 4.

In just over a month, when he applied for loan 3, Mr D had asked Quick Quid to borrow a total of £1,750, and within two months, at the time of loan 4, a total of £2,700.

Taken together, these amounts are more substantial in relation to Mr D's income than the individual loans suggest. Loans 1 and 2 were repaid early, which arguably could mean Mr D wasn't demonstrating signs of financial difficulty. But against this, Mr D borrowed again very shortly after or on the same day as these loans were repaid, suggesting the repayments may not have been sustainable.

So for loan 3, I think Quick Quid ought to have asked Mr D for a more detailed breakdown of his expenditure, to ensure the repayment was sustainable – including looking at Mr D's short-term and regular credit payments in detail.

For loan 4, I think Quick Quid should've done this again, but also asked Mr D for some evidence of his income and expenditure. This could include checking things like bills, bank statements, payslips *etc.*

In saying this I have taken into account that the theoretical maximum contractual repayment for loan 4 was £343.96. But loan 4 was a longer-term product than the payday loans – and on top of this, Mr D's pattern of borrowing was unusual and should in my view have caused Quick Quid some concern. I say this because Mr D had declared an income of £5,240 a month, with an apparent disposable income of £3,940. Despite this, Mr D was taking out new short-term loans within days or on the same day as repaying existing loans. From this, I think Quick Quid ought to have realised there could well have been something amiss with Mr D's finances – and it should've carried out checks proportionate to this risk.

what would proportionate checks have shown?

Based on the questions it asked, Mr D told Quick Quid his living costs were around £1,425 at this time. I've looked at Mr D's credit commitments, primarily using his bank statements, to see whether more detailed questions would've uncovered further credit commitments.

Having checked this, I don't think more detailed information about Mr D's credit commitments would've made loan 3 seem unaffordable. It seems quite unlikely that the £450 a month towards credit commitments Mr D declared to Quick Quid was correct, even just taking into account Mr D's regular commitments. But this is what Mr D told Quick Quid. And

I don't think I can reasonably say Mr D would've said his regular commitments were higher than he actually seems to have declared. I've also looked at his short-term commitments – which Quick Quid didn't clearly ask about – and which seem to have been around £900 at the time of loan 3. But if Quick Quid had taken this £900 into account, I still don't think the loan would've looked unaffordable. I don't therefore intend to uphold the complaint about loan 3.

Had Quick Quid carried out proportionate checks for loan 4, I don't think it would've continued to lend to Mr D. I say this because I think it would've likely seen Mr D was spending very large sums of money on gambling – and was sometimes losing tens of thousands of pounds a month, principally funding his spending with borrowing. The amounts Mr D was spending are enough on their own, in my view, to make lending to him irresponsible. But even putting that aside, Mr D's regular spending on gambling makes it clear any new borrowing was unlikely to be repaid sustainably. So whilst I know Quick Quid has said it's up to Mr D to decide how to spend his money, I don't think a responsible lender would lend if it knew how much money Mr D was spending each month.

I'm therefore planning to uphold the complaint about loan 4.

what Quick Quid needs to do to put things right

I plan to say Quick Quid must:

- refund any fees and interest Mr D paid on loan 4
- add to the above interest at 8% simple per year, from when Mr D paid them until he gets the refund[†]
- remove any adverse information about loan 4 from Mr D's credit history

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

my provisional decision

I plan to uphold this complaint in part and to tell CashEuroNet UK LLC to put things right by doing what I've set out above.

[signed]

Matthew Bradford
ombudsman