

complaint

Mr D complains that CashEuroNet UK LLC (trading as QuickQuid) gave him loans that he couldn't afford to repay.

background

Mr D was given four loans by QuickQuid between June and August 2017. He topped up his last two loans by taking some additional borrowing within a few days of his original loan being granted. Mr D has repaid his first three loans but a balance remains outstanding on his fourth loan. A summary of Mr D's borrowing from QuickQuid is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount (inc Top-ups)
1	19/06/2017	21/06/2017	£ 300
2	23/06/2017	27/06/2017	£ 400
3	12/07/2017	25/08/2017	£ 700
4	29/08/2017	-	£ 700

Mr D's complaint has been assessed by one of our adjudicators. She thought that the checks QuickQuid had done before agreeing the first two loans had been sufficient. But she thought that QuickQuid should have done more checks before giving the remaining loans to Mr D. And she thought that better checks would have shown QuickQuid that those loans were unaffordable for Mr D. So she asked QuickQuid to pay Mr D some compensation.

QuickQuid didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr D accepts my decision it is legally binding on both parties.

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 also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr D 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 D was borrowing, and his lending history, but there was no set list of checks QuickQuid had to do.

QuickQuid has told us about the checks it did before lending to Mr D. Before agreeing each loan it asked him for details of his income, and his normal monthly expenditure. And it checked his credit file before each of the loans too. Although I've not seen the results produced by those credit checks I'm not aware of any adverse indicators on Mr D's credit file such as recent defaults or county court judgements that I think should have caused additional concerns to the lender.

The income that Mr D declared to QuickQuid was substantial. And after taking account of what he said about his normal expenditure, he declared that he had over £1,500 each month that he could use to make his repayments. So when he asked for a first loan of £300 I think it was reasonable for QuickQuid to base its affordability assessment on the information that Mr D had declared. I don't think QuickQuid was wrong to give the first loan to Mr D.

Mr D repaid his first loan within a couple of days. And two days later he asked for another, larger, loan. I think that behaviour should have caused some concerns to QuickQuid. I think QuickQuid should have been considering whether it was likely Mr D was using these loans to meet unexpected one-off expenses, or for some other purpose. But, on balance, I think the checks QuickQuid did, given what Mr D had said about his disposable income, were just sufficient. So I don't think I should say QuickQuid shouldn't have given him this loan either.

Mr D repaid his second loan within just four days – it had been scheduled to last for over a month. So when he asked for another loan, just a couple of weeks later I think QuickQuid should have been on notice that Mr D's financial circumstances were unlikely to be as he was describing. This was his third loan request in just over three weeks. And I think those concerns would have been heightened when Mr D asked to top up his loan, and almost double his borrowing, the following day. I think by now QuickQuid should have realised that it wasn't proportionate to rely solely on the information being provided by Mr D. I think QuickQuid should have taken steps to independently check Mr D's actual financial position.

And I think QuickQuid should have taken similar steps when Mr D asked for his fourth loan. This was now his fourth request (fifth if you include the top up) for borrowing in the space of just over two months. And once more, less than a week after taking the loan, Mr D significantly increased his borrowing by taking additional lending.

But although I don't think the checks QuickQuid did before agreeing loans 3 and 4 were sufficient, that in itself doesn't mean that Mr D's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown QuickQuid that Mr D couldn't sustainably afford the loans. So I've looked at Mr D's bank statements, and what he's told us about his financial situation, to see what better checks would have shown QuickQuid.

If QuickQuid had independently checked Mr D's financial situation it would have seen that he was actually earning a little more than he'd declared to the lender. But it would also have seen his normal expenditure was somewhat higher too. But even so, that comparison would have suggested that Mr D had some money left over each month.

But that wasn't the whole picture of Mr D's finances. And that is something QuickQuid would have discovered if it had done more comprehensive checks. At the time he took these loans Mr D was gambling very heavily. He was often spending well in excess of his income on gambling transactions. And he was funding this gambling by borrowing ever increasing amounts from QuickQuid and another short term lender.

So if QuickQuid had done what I consider to be proportionate checks before loans 3 and 4 it would have seen that it was highly unlikely that Mr D would be able to repay any additional borrowing in a sustainable manner. So, as a responsible lender, QuickQuid would have declined to give him these loans. QuickQuid needs to pay Mr D some compensation.

putting things right

I don't think QuickQuid should have agreed to lend to Mr D after, and including, the loan that he took on 12 July 2017 (loan 3). So for each of those loans QuickQuid should;

- Refund any interest and charges paid by Mr D on the loans.
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement*.
- Remove any adverse information recorded on Mr D's credit file in relation to the loans.

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

Mr D still owes QuickQuid the principal balance he borrowed on his final loan, QuickQuid may use the compensation that is due to Mr D to reduce this balance. But, to be clear, that outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Mr D has made on that loan as though they were applied against the principal sum borrowed.

If, as seems likely, an outstanding balance still remains on that loan, QuickQuid should endeavour to agree a mutually acceptable repayment arrangement with Mr D bearing in mind the need to treat him positively and sympathetically in those discussions.

my final decision

My final decision is that I partly uphold Mr D's complaint and direct CashEuroNet UK LLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 October 2018.

Paul Reilly
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