

complaint

Miss W complains that CashEuroNet UK LLC (trading as QuickQuid) gave her loans that she couldn't afford to repay.

background

The background to this complaint was set out in the provisional decision I issued in December 2018. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to uphold some of the complaint. I invited both parties to let me have any further comments and evidence. Both Miss W and QuickQuid have responded to me. Although I am only summarising here what they have said, I have considered their entire responses carefully before writing this decision.

Miss W has noted my provisional decision. She has expressed concern that the initial letter that QuickQuid sent to her in response to her complaint said her income was far higher than what she'd declared to the lender. And she noted that she had by now repaid a large proportion of the outstanding balance on her final loan. So she asked that this was taken into consideration when assessing the compensation that was due to her.

QuickQuid has said that it remains unable to accept my findings relating to loans that were funded after March 2015 when it changed its lending practices. It has provided me with some additional information showing that it compared the credit commitments that Miss W declared with those reported by a credit reference agency (CRA). And it says it then used the higher of those figures when calculating how much disposable income Miss W had. It says that it had no reason to think Miss W wouldn't be able to repay the loans or to have known about her gambling expenditure.

my findings

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Firstly I want to reassure Miss W that in reaching my decision I have used what she considers to be her correct income at the time. I can see that QuickQuid did quote a much higher amount in its initial letter to her. But the incorrect amount wasn't reflected in the information it sent to us, or in the information QuickQuid appears to have held about Miss W. I can only assume that it made a typographical error when issuing its response to Miss W's complaint. And I will also slightly amend the redress that I am telling QuickQuid to pay to reflect the additional repayments that Miss W says she has made on the final loan.

I have thought about the additional information QuickQuid has sent to us. In my provisional decision I said that I thought QuickQuid should have decided, by loan 4, that it was no longer reasonable to rely on the information Miss W was providing about her finances. And I think what QuickQuid has sent us only reinforces that point. QuickQuid has said that at the time of loan 4 Miss W said she was spending £50 each month on "other credit" commitments, whereas the information it received from the CRA suggested she was spending over £300. I think that difference alone might have suggested to QuickQuid that the information Miss W was providing about her other expenditure might have been unreliable.

I think it would also be reasonable to note that this matter has been covered by the Financial Conduct Authority which was the regulator at the time Miss W borrowed from QuickQuid. Its regulations for lenders are set out in its consumer credit sourcebook (generally referred to as "CONC") and say in relation to this;

A firm must not accept an application for credit under a regulated credit agreement where the firm knows or has reasonable cause to suspect that the customer has not been truthful in completing the application in relation to information relevant to the creditworthiness assessment.

An example of when a firm has reasonable cause to suspect that the customer has not been truthful may be where information supplied by the customer concerning income or employment status is clearly inconsistent with other information of which the firm is aware

So, at the very least, I think QuickQuid needed to do better checks before loans 4 and 5. And better checks would have shown Miss W couldn't afford the repayments in a sustainable manner. So I don't think QuickQuid should have given these two loans to Miss W. QuickQuid needs to pay her some compensation.

putting things right

I don't think QuickQuid should have agreed to give Miss W loans 4 and 5. So for each of those loans QuickQuid should;

- Refund any interest and charges paid by Miss W 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 Miss W's credit file in relation to the loans.

Miss W may still owe Quick Quid some of the principal balance she borrowed on her final loan. If that is the case Quick Quid may use the compensation that is due to her to reduce or clear that balance. But, to be clear, that outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Miss W has made on that loan as though they were applied against the principal sums borrowed.

If an outstanding balance remains, QuickQuid should endeavour to agree a repayment schedule with Miss W that is affordable for her bearing in mind the need to continue to treat her positively and sympathetically in those discussions. Or otherwise QuickQuid should refund any excess compensation to Miss W directly.

my final decision

My final decision is that I uphold Miss W'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 Miss W to accept or reject my decision before 4 February 2019.

Paul Reilly
ombudsman

EXTRACT FROM PROVISIONAL DECISION**complaint**

Miss W complains that CashEuroNet UK LLC (trading as QuickQuid) gave her loans that she couldn't afford to repay.

background

Miss W was given five loans by QuickQuid between May 2016 and May 2017. Miss W also topped up her final loan by taking some additional borrowing around a week later. Each of the loans was repayable in two or more instalments, with the initial repayments consisting of interest only, before the principal borrowed and further interest was repaid on the final repayment. So the final repayment of the loan was usually much larger than those earlier on.

Miss W repaid her first four loans as planned but at the time of making her complaint she had only repaid part of her final loan leaving a balance outstanding. A summary of Miss W's borrowing from QuickQuid is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount (inc Top-Up)
1	07/05/2016	28/07/2016	£ 300
2	27/10/2016	23/12/2016	£ 150
3	13/02/2017	28/03/2017	£ 100
4	01/04/2017	01/05/2017	£ 300
5	21/05/2017	-	£ 550

Miss W's complaint has been assessed by one of our adjudicators. He didn't think that the checks QuickQuid had done before any of the loans had been sufficient. And he thought that better checks would have shown QuickQuid that Miss W couldn't afford to repay the loans. So he asked QuickQuid to pay Miss W 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.

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 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 Miss W could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Miss W was borrowing, and her lending history, but there was no set list of checks QuickQuid had to do.

The Financial Conduct Authority was the regulator at the time Miss W borrowed from QuickQuid. Its regulations for lenders are set out in its consumer credit sourcebook (generally referred to as "CONC"). These regulations require lenders to take "*reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences.*" They define 'sustainable' as being able to make repayments without undue difficulty. And explain that this

means borrowers should be able to make their repayments on time and out of their income and savings without having to borrow to meet these repayments.

So, the fact that the amounts borrowed and the interest paid might have been low in comparison with Miss W's income, or that she managed to repay most of the loans in full and on time, doesn't necessarily mean the loans were affordable for her and that she managed to repay them in a *sustainable manner*. In other words I can't assume that because Miss W managed to repay most of her loans that she was able to do so out of her normal means without having to borrow further.

QuickQuid has told us about the checks it did before lending to Miss W. Before each loan it asked her for details of her income and normal expenditure. It then validated this information against her credit file and other data sources, amending the information Miss W provided where it appeared to be an underestimate. And it did further checks on Miss W's credit file before each of the loans. QuickQuid hasn't been able to give us all the results of those checks but I'm not aware of anything on her credit file that is likely to have caused additional concerns to the lender. I am aware there was some negative information on Miss W's credit file relating to things that happened in 2012, but I think sufficient time had passed for these defaults to not worry QuickQuid.

I think that the checks QuickQuid did before agreeing the first loan were sufficient. This was the first time Miss W had borrowed from the lender. And as I've said earlier its credit checks are unlikely to have shown any recent issues of concern. But I have thought carefully about the size of the final repayment that Miss W needed to make on this loan, just less than three months after she'd taken it.

When responding to this complaint QuickQuid has said it considered the total amount Miss W needed to repay over the entire length of the loan, and compared this to her total disposable income for that period. So in effect it is saying that Miss W could have "saved" some disposable income in the first two months to put towards her final repayment.

The largest repayment that Miss W needed to make on her first loan was more than the disposable income that QuickQuid had estimated based on the information she'd provided. But this was the first loan that she'd taken from QuickQuid and it had explained to her that she might need to use some of her excess disposable income in the first two months to help meet her final repayment. In the specific circumstances here I think that was reasonable. QuickQuid didn't have any reason to think Miss W's finances were under significant pressure – it was entirely reasonable that she might be facing an unexpected expense, hence the reason for her loan request. And the additional amount she needed to "save" in order to make the final repayment affordable was relatively modest.

So I don't think QuickQuid was wrong to give the first loan to Miss W.

Miss W repaid her first loan as planned. There was then a gap of almost three months before Miss W asked to borrow again. And the amount she asked to borrow was much smaller than before. So once again I think that the checks QuickQuid did here were proportionate. And the information that Miss W provided suggested that even the larger final repayment was affordable for her. I don't think QuickQuid was wrong to give this loan to her either.

There was then another gap of almost two months between Miss W repaying her second loan and asking for a third. Although I think that by now QuickQuid should have started to become concerned at the regular nature of Miss W's borrowing requests, I don't think there was enough to make me think it wasn't reasonable for the lender to continue to rely on the information Miss W had provided.

Once again that information suggested that each of the repayments Miss W needed to make on the loan were affordable. I think it was reasonable for QuickQuid to provide this loan to Miss W too.

But within a couple of days of repaying her third loan, Miss W asked to borrow again. And the amount she asked to borrow was significantly larger. I think by now QuickQuid should have realised there was a real possibility that Miss W was relying on its lending to make ends meet. I think it should have decided that it was no longer reasonable to rely on the information Miss W was providing about her finances. By now it would have been proportionate for QuickQuid to independently verify the true state of Miss W's finances.

And I think the same applies to the final loan Miss W took. She repaid her fourth loan much earlier than planned. And just three weeks later she asked to borrow again. The amount Miss W asked to borrow was much larger again and she topped up that loan just a week later. I think this behaviour should have indicated to QuickQuid that Miss W's finances were most likely under significant pressure.

But although I don't think the checks QuickQuid did before agreeing loans 4 and 5 were sufficient, that in itself doesn't mean that Miss W's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown QuickQuid that Miss W couldn't sustainably afford those loans. So I've looked at Miss W's bank statements, and what she's told us about her financial situation, to see what better checks would have shown QuickQuid.

From looking at Miss W's bank statements it is clear that she was unable to sustainably afford any additional lending. She was already borrowing heavily from a number of other short term lenders. And she was using that money to spend ever increasing amounts on what appear to be online gambling transactions. So I think better checks would have shown QuickQuid that Miss W couldn't afford loans 4 or 5 and it shouldn't have lent to her.

I have considered what QuickQuid says about its checks being improved after it became regulated by the FCA. But here I don't think proportionate checks for loans 4 and 5 could reasonably rely on information provided by Miss W. I think the information about Miss W's finances, given the length and increasing nature of her borrowing needed to be independently verified.

And similarly whilst I accept that Miss W's financial position was much the same for loans 1 to 3 as it was for loans 4 and 5 I don't think that was something that QuickQuid would have known about from proportionate checks. At that time I think it was reasonable for QuickQuid to rely on the information Miss W had provided – and she didn't tell QuickQuid about either her gambling expenditure or reliance on other short term lending.

In summary, I think the checks QuickQuid did before agreeing loans 1 to 3 were sufficient and suggested that Miss W could afford to repay them. But I think QuickQuid needed to do better checks before loans 4 and 5 and they would have suggested Miss W couldn't afford the repayments in a sustainable manner. So I don't think QuickQuid should have given these loans to Miss W. QuickQuid needs to pay her some compensation.