

complaint

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

background

Miss L was given 16 loans by QQ between April 2012 and December 2016. The loans have all been fully repaid, although five of the loans appeared to have been rolled over. A summary of Miss L's borrowing from QQ is as follows:

Loan number	Date of loan	Repayment date	Loan amount
1.	8/4/12	20/4/12	£100
2.	22/4/12	15/6/12	£100
3.	4/7/12	13/7/12	£100
4.	27/7/12	10/8/12	£100
5.	15/11/12	30/11/12	£100
6.	15/4/13	17/5/13	£50
7.	1/10/14	31/10/14	£50
8.	16/1/15	17/4/15	£50
9.	20/4/15	12/6/15	£50
10.	9/7/15	2/10/15	£50
11.	14/10/15	27/11/15	£50
12.	20/12/15	20/12/15	£50
13.	16/2/16	20/3/16	£50, plus 2 top ups of £50 and £100
14.	13/5/16	2/9/16	£100
15.	2/9/16	25/11/16	£100 plus 3 top ups of £100, £50 and £50
16.	14/12/16	20/1/17	£150

Miss L said that the loans were unaffordable and she was dependent on short term lending.

QQ said that it had carried out a credit assessment before each loan which included considering Miss L's other financial commitments. It also looked at the information Miss L had provided to it and her repayment history with it. It noted that Miss L's income was always more than enough to cover her loan repayments. It also said that Miss L's credit model score was never under the minimum approval threshold for any of the loans for which she was approved. But it said that a pattern of dependency emerged with Loan 4 for which it offered Miss L a refund of £100.

our adjudicator's views

The adjudicator assessed the complaint twice. In his first view, he said that the checks QQ had made before Loans 1, 2 and 7 to 10 were sufficient. But he didn't think QQ had done enough checks for the other loans. He thought that if QQ had done sufficient checks, it would have seen that Loans 11 to 16 weren't sustainable due to Miss L's gambling expenditure and other short term loans. But he said that he would need to see Miss L's bank statements for Loans 3 to 6 to see whether additional checks would have made a difference. He recommended that QQ should:

- Refund all interest and charges that Miss L paid on Loans 11 to 16;
- 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 Loans 11 to 16 from Miss L's credit file.

*HM Revenue & Customs requires QQ to take off tax from this interest. QQ must give Miss L a certificate showing how much tax it's taken off if she asks for one.

In response to the adjudicator's first view, QQ offered to refund interest and charges paid on Loans 11, 15 and 16, to pay statutory interest of 8% on the refunds and to remove adverse information about these loans from Miss L's credit file. But it also said that gambling shouldn't be considered an essential expense and a review of Miss L's bank statements wasn't warranted for Loans 11 to 16. Miss L rejected QQ's offer.

The adjudicator then received bank statements from Miss L for the months before Loans 3 to 6. With regard to Loans 3 and 4, he said that the bank statements didn't show sufficient regular living costs to make the loans unaffordable. But he noted that the statements for the months before Loans 5 and 6 showed that Miss L's gambling expenditure was greater than her income. So he recommended that QQ should:

- Refund all interest and charges that Miss L paid on Loans 5 and 6;
- 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 Loans 5 and 6 from Miss L's credit file.

*HM Revenue & Customs requires QQ to take off tax from this interest. QQ must give Miss L a certificate showing how much tax it's taken off if she asks for one.

In response to the adjudicator's second view, QQ said that there were substantial breaks before Loans 5 (97 days) and 6 (136 days) which broke Miss L's lending pattern. And both the loans were for minimal amounts. So, it didn't think additional checks were warranted for these loans.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Miss L and to QQ on 30 April 2018. I summarise my findings:

I noted that QQ had offered to provide a refund and statutory interest in respect of Loans 11, 15 and 16. So, except for ordering QQ to provide the offered redress later in this decision, I said that I wouldn't make any other findings about those loans here.

I explained that QQ was required to lend responsibly. It needed to make checks to make sure Miss L could afford to repay each of the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss L was borrowing, the length of the agreements and her lending history. But there was no set list of checks QQ had to do.

The guidance in place at the time of Loans 1 to 6 (The Office of Fair Trading's Irresponsible Lending Guidance) set out the lender's responsibility to take reasonable steps to ensure that a borrower could *sustainably* repay their loans. It said that assessing affordability was a borrower-focussed test which involved a creditor assessing a borrower's ability to undertake a specific credit commitment, or specific additional credit commitment, in a sustainable

manner, without the borrower incurring (further) financial difficulties. The guidance also said that repaying credit in a sustainable manner meant being able to repay credit *“out of income and/or available savings”* and without *“undue difficulty.”* And it defined *“undue difficulty”* as being able to repay credit *“while also meeting other debt repayments and normal/reasonable outgoings”* and *“without having to borrow further to meet these repayments”*.

The final ten loans taken by Miss L were regulated by the Financial Conduct Authority. I explained that its regulations for lenders are set out in its consumer credit sourcebook and are similar to those from the OFT in many respects.

I didn't think that the fact that Miss L was able to repay the loans and that most of the loans were paid on time, necessarily meant they were affordable for her or that she managed to repay them in a sustainable manner. I also couldn't assume that Miss L was able to do so out of her normal means without having to borrow further.

QQ had told us that before lending Loans 1 to 6 to Miss L, it had asked her about her income, and made credit checks. Miss L had declared a monthly income of £762 at the time of these loans. QQ had said that the loan repayments were minimal in comparison to her income. It also had said that there were substantial breaks between Loans 4 and 5, and 5 and 6. It said that its credit checks showed that Miss L wasn't excessively requesting additional means of credit and she didn't have active county court judgements or insolvencies. I hadn't seen all the results from those credit checks.

I noted that Loans 1 and 2 were both for £100. These amounts were relatively low in comparison with the income of £762 which Miss L had declared to QQ, and I could see that the loans seemed affordable. And I didn't think at that stage of its relationship with Miss L that QQ had any reason to doubt the information she'd provided. And there was little to suggest to QQ at this stage that Miss L wasn't using the loans in the way they were intended – as a short term solution to a temporary cash flow problem. So I didn't think QQ was wrong to agree to these loans. So, I thought the checks QQ did at the time of Loans 1 and 2 were proportionate. And I couldn't say QQ was wrong to give Loans 1 and 2 to Miss L.

I noted that Loan 2 appeared to have been rolled over and repaid almost two months after the loan was made. Miss L borrowed Loan 3 almost three weeks later, and by this time I thought QQ might have been concerned about the frequency of Miss L's requests. Taking all this into account, I didn't think it was reasonable here for QQ to assess the affordability of the loan by simply taking details of Miss L's income. I thought some more detailed checks would have been proportionate. I thought it would have been reasonable here for QQ to have asked Miss L for information about her normal regular expenditure too. And as Loan 4 was taken just over three weeks after Loan 3, I thought similar checks should have been made for that loan for the same reasons.

With regard to Loan 5, this was taken out just over three months after Loan 4 was repaid. I didn't think this was a sufficiently long enough break for Miss L's borrowing pattern to be considered to have broken. I'd noted that Loan 5 was Miss L's fifth loan in just over seven months. I thought Miss L's loans were being taken sufficiently regularly to show that Miss L was reliant on them. By this time, I also thought it should have been clear to QQ that it could no longer rely on the information Miss L had provided about her financial situation. In view of the regularity of Miss L's loan applications, I thought there was an onus on QQ to look in much more depth at Miss L's true financial situation to assess the affordability of its lending. I said that it could've done this in a number of ways. It could've asked for evidence of Miss L's income and expenditure such as payslips and bills, or it could've looked at things like her

bank statements. And overall, I thought similar checks would have been proportionate for Loan 6 for the same reasons.

With regard to Loans 7 onwards, QQ had asked Miss L for details of her income and regular expenditure, including credit commitments. By the time of Loan 7, Miss L said that her income had increased to £979, and her regular expenditure was £275. QQ said that the repayments for Loans 7 to 10 didn't exceed Miss L's disposable income and its checks didn't indicate any reason to believe that the loans would be unaffordable.

After repaying Loan 6, I noted that there was then a gap of almost 18 months before Miss L borrowed again from QQ. So I thought it would have been reasonable for QQ to treat Miss L as a new customer once again at that point. Miss L had declared a disposable income of £704 and the repayment for Loan 7 was around £64. As it looked as though Miss L's declared disposable income was sufficient to support the loan, I thought that QQ made sufficient checks for Loan 7.

With regard to Loan 8, I thought the repayment amount of around £64 was still relatively modest compared to the disposable income of £704 which Miss L had declared for Loan 7. I thought it unlikely that Miss L's income and expenditure had changed significantly since Loan 7, just over three months earlier. So, I thought that QQ's checks were sufficient here. And I didn't think QQ had done anything wrong in giving Loan 8 to Miss L.

The loan repayment amounts for Loans 9 and 10 were around £60. I couldn't see that QQ had updated Miss L's income figure before these loans, but I could see that it had noted that Miss L's regular expenditure was still £275 before Loan 9. I thought that it was still proportionate for QQ to rely on Miss L's declared income and expenditure figures here as I thought they were unlikely to have changed significantly. So, I didn't think that QQ had acted incorrectly in giving Miss L Loans 9 and 10.

But Loan 10 was rolled over and Miss L had told QQ in September 2015 that she was in financial difficulty. Loan 12 was Miss L's sixth loan in just under 15 months. By the time of Loan 12, I thought Miss L's loans were being taken sufficiently regularly to show that Miss L was reliant on them. By this time, I also thought it should have been clear to QQ that it could no longer rely on the information Miss L had provided about her financial situation. In view of Miss L's regular loan applications, I thought there was an onus on QQ to again look in much more depth at Miss L's true financial situation.

Loan 13 was taken out almost two months after Loan 12, and Miss L had topped this loan up twice. So a total of £200 was borrowed and she'd also appeared to have rolled the loan over.

Loan 14 was taken out less than two months after Loan 13 was repaid. It also appeared that Miss L had declared to QQ that her income had increased to £1,150 and her expenditure had increased to £626 in January 2016. So, Miss L's declared disposable income had reduced to £524. I thought QQ should have again been concerned as to whether Miss L could sustainably afford the repayments on any further loans, or if she was potentially relying on short term lending to get by. I also noted that a county court judgement had been entered against Miss L in November 2015. For all these reasons, I thought QQ should have been looking to independently verify Miss L's income and expenditure so it could fairly assess the affordability of Loans 13 and 14.

Although I didn't think the checks QQ did on Loans 3 to 6 and 12 to 14 were sufficient, that in itself didn't mean that Miss L's complaint should succeed. I also needed to be persuaded

that what I considered to be proportionate checks would have shown QQ that Miss L couldn't sustainably afford the loans. So I'd looked at Miss L's bank statements to see what better checks would have shown QQ.

With regard to Loans 3 and 4, as I'd said above, I would have expected QQ to ask about Miss L's regular expenditure. To find out what, if any, regular expenditure Miss L had, I'd reviewed her bank statements for the months before Miss L took Loans 3 and 4. I couldn't see that the statements specifically referred to most of the normal expenditure that I'd expect to see such as rent payments, council tax, water and utility bills. I could see some expenditure on normal living costs such as food, phone and bank charges. These totalled around £80 and £118 respectively for the months before Loans 3 and 4. So, whilst I didn't think QQ had carried out proportionate checks before giving Loans 3 and 4, I also didn't think that carrying out better checks would've uncovered anything that would've stopped QQ from giving the loans to Miss L.

With regard to Loans 5, 6 and 12 to 14, as I'd said above, I thought QQ should have been independently checking what Miss L was earning and spending each month. So I'd tried to do this by looking at Miss L's bank statements at the time of these loans, to see what better checks would have shown QQ. The bank statements might not have shown QQ everything it would've seen by carrying out proportionate checks. But I thought they were the best indication of Miss L's ability to afford the loans at the time they were approved. So I didn't think it was unreasonable to rely on these. But requiring bank statements was only one of a number of methods QQ could've used in order to have a full understanding of Miss L's financial situation.

I could see from the bank statements that at the time she was asking for Loan 5, Miss L was earning over £900 which was more than she'd declared to QQ. Miss L's bank statements didn't show much in the way of normal living costs. But I could see that at the time of Loan 5, Miss L's gambling transactions were more than her income. So, if QQ had done what I considered to be proportionate checks before Loan 5, it would have seen that the repayment for Loan 5 wasn't sustainable.

I'd also checked Miss L's bank statements for the month before Loan 6. I could see that Miss L's income was around £900. I could see some expenditure on normal living costs but this totalled just over £100 and Miss L's gambling transactions appeared to be slightly over £100.

I also couldn't see that Miss L had taken out any short term loans with other lenders in the month before Loan 6. This was supported by what I'd seen in Miss L's credit report. I noted that Loan 6 was for £50. Overall, I couldn't see that the transactions going through Miss L's bank account were sufficient for me to conclude that Loan 6 wasn't sustainable. So, whilst I didn't think QQ had carried out proportionate checks before giving Loan 6, I also didn't think that carrying out better checks would've uncovered anything that would've stopped QQ from giving Loan 6 to Miss L.

I'd noted that before Loans 12 to 14 that Miss L was earning broadly what she'd declared to QQ. Again, Miss L's bank statements didn't show much in the way of normal living costs. But I could see that at the time of Loans 12 to 14 that Miss L was spending heavily on what appeared to be gambling transactions. And to support this gambling expenditure she was also borrowing from a number of other short term lenders before Loans 12 to 14.

I'd also noted that in the month before Loan 13, Miss L's gambling transactions were more than her income. And in the months before Loans 12 and 14 the gambling transactions took up most of Miss L's income. In the month before Loan 12, Miss L's gambling transactions alone were around £900 and her short term borrowing from other lenders amounted to around £650. In the month before Loan 13, Miss L's short term borrowing amounted to around £500. Her short term borrowing from other lenders would have required repayment around the same time as her loans from QQ. So, I'd thought that if QQ had done what I considered to be proportionate checks here, that it would have seen that Loans 12 and 13 weren't sustainable.

In the month before Loan 14, Miss L's statements showed her regular income was around £1,170, and the loan repayment amount was £122.40. But, after taking into account Miss L's normal living costs of around £181 shown on her statements, a payday loan of £100 which would have required repayment around the same time as Loan 14 and gambling transactions of around £770, I didn't think that the repayment for Loan 14 was sustainable. So, I'd thought that if QQ had done what I considered to be proportionate checks here, that it would have seen that the repayment for Loan 14 wasn't sustainable.

I'd noted that Miss L did receive some 'winnings' from gambling but generally it appeared these winnings were far exceeded by what she'd spent on gambling.

I appreciated that QQ had said that gambling shouldn't be considered an essential expense. But, I thought that if QQ had done what I considered to be proportionate checks, it would have mostly seen that Miss L was gambling heavily and at some points borrowing to sustain this habit. Her gambling plus her other expenditure exceeded her income. So, I'd thought that if it had seen this then QQ, as a responsible lender, would have declined further loans. So, I thought that QQ needed to pay Miss L some compensation relating to Loans 5, 12, 13 and 14, along with what it had already offered in relation to Loans 11, 15 and 16.

To settle the complaint, I thought QQ should refund all the interest and charges applied to Miss L's accounts for all these loans, and pay 8% simple interest on those refunds from the date of payment to the date of settlement. I also said that any adverse information recorded on Miss L's credit file with regard to those loans should also be removed.

Subject to any further representations by Miss L or QQ my provisional decision was that I intended to uphold this complaint in part. I intended to order that CashEuroNet UK LLC, trading as QuickQuid, should in relation to Loans 5, 11, 12, 13, 14, 15 and 16:

1. Refund all the interest and charges applied to Miss L's accounts for all these loans;
2. Pay 8% simple interest* on those refunds from the date of payment to the date of settlement; and
3. Remove any adverse information recorded on Miss L's credit file with regard to those loans.

*HM Revenue & Customs requires QQ to take off tax from this interest. QQ must give Miss L a certificate showing how much tax it has taken off if she asks for one.

Miss L responded to my provisional decision to say that she had nothing further to add for me to consider.

QQ responded to say that with regard to Loan 5, its additional checks would have included asking for income and expenses information rather than requiring bank statements. It said that it was unlikely that Miss L would have told it about her gambling when it asked about her

expenditure. So, it didn't agree that additional checks would have resulted in a different outcome.

With regard to Loans 12 to 14, QQ said it had conducted an appropriate and proportionate assessment. It considered Miss L's income and her expense data in relation to housing, utilities, food, transport, other credit commitments and other recurring expenses. It had examined her other credit commitments and validated the reasonableness of Miss L's self reported expense amount with credit reference agency data. QQ had used the validated data to determine Miss L's estimated disposable income. It said that it only makes loans where the total payment for the term of the loan is less than 80% of Miss L's estimated disposable income. It said that the payments on Loans 12 to 14 were less than this so it believed that these loans were affordable.

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 noted what QQ had said about Loan 5. But as I'd said above, I thought that by the time of Loan 5, it should have been clear to QQ that it could no longer rely on the income and expenses information provided by Miss L, and that it should have independently verified Miss L's financial position. By carrying out what I consider to be proportionate checks, QQ would have become aware of Miss L's gambling transactions, and QQ would have seen that Loan 5 wasn't sustainable.

With regard to Loans 12 to 14, I note what QQ has said about its checks. But I think I've explained above the reasons why I didn't think that QQ's checks for these loans were sufficient. And as I've said above, I thought QQ should have been looking to independently verify Miss L's income and expenditure so it could fairly assess the affordability of Loans 12 to 14. QQ could've done this by asking for things such as bank statements, or utility bills or even evidence of Miss L's income. So, I'd thought that if QQ had done what I considered to be proportionate checks here, that it would have seen that the repayments for Loans 12 to 14 weren't sustainable.

So, I remain of the opinion that if QQ had done sufficient checks it would have seen that Miss L couldn't afford to repay Loans 5, 12, 13, and 14. So QQ needs to pay her some compensation for these loans along with what it had already offered in relation to Loans 11, 15 and 16.

my final decision

My decision is that I uphold this complaint in part. In full and final settlement of this complaint, I order CashEuroNet UK LLC, trading as QuickQuid, in relation to Loans 5, 11, 12, 13, 14, 15 and 16 to:

1. Refund all the interest and charges applied to Miss L's accounts for all these loans;
2. Pay 8% simple interest* on those refunds from the date of payment to the date of settlement; and
3. Remove any adverse information recorded on Miss L's credit file with regard to those loans.

*HM Revenue & Customs requires QQ to take off tax from this interest. QQ must give

Miss L a certificate showing how much tax it has taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 6 July 2018.

Roslyn Rawson
ombudman