complaint

Ms G complains about payday loans and flex credit accounts she took out with CashEuroNet UK LLC (trading as Quick Quid) which she says Quick Quid shouldn't have given her because the borrowing wasn't affordable.

background

Ms G borrowed six payday loans and two flex credit accounts. Her borrowing history is as follows;

Loan number	Loan / top up amount	Received date	Actual repayment date
1	£50	23/09/2012	09/11/2012
	£75	08/11/2012	
2	£50	11/12/2012	24/12/2012
3	£350	27/02/2013	15/03/2013
	£125	05/03/2013	
4	£650	26/03/2013	28/03/2013
5	£150	02/04/2013	05/04/2013
	£175	03/04/2013	
6	£200	01/07/2013	10/07/2013
7 (flex credit account) £950 limit	£50	21/09/2013	30/09/2013
	£250	28/09/2013	
8 (flex credit account) £950 limit	£100	26/10/2013	
	£100	01/11/2013	
	£50	08/11/2013	
	£100	14/11/2013	
	£950	24/11/2013	

Ms G kept to her repayments on her loans until she started to have some difficulties. Quick Quid was made aware of this in November 2013 and at this point in time the account was placed on hold. Quick Quid froze interest and charges and agreed a repayment plan with Ms G's representative in order to make reduced repayments – these payments started in January 2014.

An adjudicator looked at the complaint and concluded that while some of the checks carried out by Quick Quid may not have been proportionate, he wasn't able to say whether Ms G could afford the loans because we hadn't been given with all of her bank statements. So the adjudicator wasn't in a position to say the loans were unaffordable.

In response to our assessment Ms G provided her bank statements which meant the adjudicator was then able to consider whether the loans were affordable. He felt that the checks carried out on loans one, two and three were proportionate considering the amount Ms G had borrowed. But he didn't feel the checks carried out on the remaining borrowing were sufficient because of the pattern of borrowing as well as the amount Ms G was borrowing compared to her income.

The adjudicator then looked at Ms G's bank statements and having done so, he didn't think the loans were affordable. Ms G didn't have enough disposable income each month to meet her repayments once her regular financial commitments were taken into account along with what Ms G was spending each month on gambling. And had Quick Quid carried out sufficient checks it would've realised this and it wouldn't have lent to her. So the adjudicator recommended that all interest and charges from loan four onwards be refunded.

Ms G agreed with the adjudicator's recommendation but Quick Quid didn't. It says that Ms G had a good repayment history because some of the loans were repaid before the contractual due date and Ms G didn't incur any late fees. There were also significant breaks between some of the loans of up to 87 days.

Loan four was a particularly high percentage of Ms G's monthly income, but Quick Quid says that Ms G's income was supplement by the loan. So it considers it reasonable that only the interest charged in comparison to Ms G's income should be taken into account.

Quick Quid says that prior to the Financial Conduct Authority's regulation it wasn't required to keep details of Ms G's expenditure and it wasn't required to get copies of her bank statements. And if Ms G was having problems repaying her loans she should've told Quick Quid who could've taken some action. But Quick Quid says that had it become aware of Ms G's gambling it wouldn't have continued to lend to her.

No agreement could be reached between the adjudicator and Quick Quid so the complaint has been passed to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint and I've used this approach to help me decide Ms G's complaint.

Having carefully thought about everything I've been given, I'm partially upholding Ms G's complaint and I've explained my reasons below.

Quick Quid had to gather enough information to be able to make an informed decision as to whether it was going to lend. But the guidance and rules don't set out what checks must be done before lending is approved. But Quick Quid needed to conduct enough checks to make sure the loan was affordable to Ms G. And these checks needed to be proportionate to a number of things such as the size of the loan and when the loan was due to be repaid.

But even if the checks Quick Quid carried out weren't proportionate, that alone doesn't mean Ms G's complaint should be upheld. I say this because, it's possible, that had further checks been carried out by Quick Quid, these would've shown Ms G was able to afford her loans. So Quick Quid wouldn't have been wrong to lend her the money.

Quick Quid says that it would've carried out affordability checks before lending to Ms G and these checks included looking at Ms G's application and her loan history as well as other third party reports. But Quick Quid can't tell me exactly what it saw and has only provided me with the checks that it carried out in October 2013.

Quick Quid has explained that it carried out credit checks which included looking at credit scoring information as well as other third party reports. But again I can't be sure exactly what it searched and what it saw as a result of those searches.

Quick Quid says that for each loan it asked for Ms G's income and I can see that a record has been made of Ms G's income when she took out her first loan and then Ms G amended her income from loan three onwards. And Quick Quid has explained that it was Ms G's responsibility to update her income if it had changed.

So Quick Quid says that based on the information it gathered about Ms G, it was reasonable to lend to her. But I've thought about what Quick Quid says and Ms G's circumstances at the time each loan was approved. And having done so, I don't think the checks Quick Quid carried out were proportionate for some of the loans.

Ms G had a number of payday loans, which were usually due to be fully repaid by the next payday. But Ms G also had two flex accounts, which are a slightly different product to a payday loan. A flex account allowed Ms G to draw down up to a pre-set limit with the monthly repayment determined by how much Ms G had borrowed, interest accrued and all charges. I've kept this in mind when thinking about whether the loans were affordable.

Ms G gave Quick Quid plausible information about her income when she applied for loans one and two – and Quick Quid was entitled to rely on this information. These were Ms G's first loans and she was borrowing a comparatively small amount compared to her declared income. Taking this into account I think the checks that Quick Quid undertook were proportionate. So I don't think Quick Quid was wrong to lend to Ms G so I'm not going to be asking it to take any further action for loans one and two.

For her third loan, Ms G borrowed a sizeable amount compared to her income and before this amount was due to be repaid she topped up her loan – so at her next payday Ms G needed to make a repayment of around a third of her income. Although there's a gap between loans two and three, I don't think it's significant enough that it would've made Quick Quid think that the borrowing wasn't part of the same chain of loans. In addition, Ms G's borrowing had also increased over what she had previously been lent. So, I don't think Quick Quid's credit and affordability checks went far enough to make it think that it had enough information about Ms G's circumstances to make an informed decision to whether to lend to her.

I've thought about what Quick Quid says that when assessing affordability it believed only interest repayments should be taken into account. But Ms G would need to repay the principal as well as the interest so I think it's fair that the total amount repayable should be considered, because this is what would have to be repaid. So taking this into account along with the checks that Quick Quid carried out, I'd have considered proportionate checks to have including asking Ms G about her regular living costs, regular financial commitments and whether she had any other short term lending commitments.

But I can't say for sure what questions Quick Quid would've asked or the answers it would've been given, so I've used Ms G's bank statements. But the bank statements are the best indication of Ms G's ability to repay the loans at the time, so I don't think it's unreasonable to rely on these.

Having looked at Ms G's bank statements, I can see that she didn't have any outstanding payday loans. So I've reviewed Ms G's regular monthly outgoings which are around £750 per month. So Ms G appears to have had enough disposable income to be able to make her loan repayment. So I think that had Quid Quick asked some further questions about Ms G's circumstances at the time it would've still lent to her because the loan was affordable.

I appreciate that Ms G was gambling a significant amount of money at this time, but I don't think Quick Quid would've been aware of it at this time had it carried out what I'd consider to be proportionate checks.

For the remaining borrowing I'm satisfied that Ms G was becoming dependent on payday loans. She was regularly borrowing and the amounts she was borrowing usually increased. So I think by this time doing a credit and affordability assessments wasn't sufficient to tell Quick Quid whether Ms G could sustainably repay her loans. So I think Quick Quid would've wanted to have known what Ms G's financial position was at the time. It could've done this a number of ways such as asking some detailed questions about her monthly outgoings or asking to see her bank statements.

Ms G's borrowing didn't always increase with each loan, but I've considered her financial situation throughout this period. Ms G's regular monthly commitments remained broadly similar through the remainder of 2013. I can also see that Ms G was gambling a significant amount of money each month– and this is something I think Quick Quid would've been aware of at the time had it carried out proportionate checks. Quick Quid says that had it been aware of Ms G's gambling it wouldn't have lent to her. So taking into account Ms G's spending habits, I don't think Quick Quid should've given her the loans as I don't think Ms G could've afforded to repay them.

I accept two of the drawdowns on the flex accounts were for £50, which given Ms G's income appears to be affordable. But given what Quick Quid ought to have been aware of at the time, I don't think these drawdowns were affordable, when you take into account Ms G's regular spending as well as her gambling.

So I can't see how Ms G could've have sustainably repaid her borrowing from Quick Quid. All of this means I think that not only did Quick Quid fail to carry out proportionate checks but that Ms G also lost out as a result. And so had it conducted proportionate checks it would've seen that the loans weren't affordable and it wouldn't have lent to her.

what Quick Quid should do to put things right

To put things right for Ms G, Quick Quid should:

- refund all the interest and charges applied to loans 4, 5, 6 and the two flex credit accounts (7 and 8)
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †
- use the settlement amount towards repaying the outstanding balance and then pay the remaining amount to Ms G and
- remove any adverse information recorded on Ms G's credit file because of these loans.

†HM Revenue & Customs requires Quick Quid to take off tax from this interest. Quick Quid must give Ms G a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons I've explained above, I partly uphold Ms G's complaint.

CashEuroNet UK LLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 3 May 2017.

Robert Walker
ombudsman