

complaint

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

background

Mrs L first borrowed from QuickQuid in September 2011. Her final loan was taken in June 2015. In total she borrowed from QuickQuid on 16 occasions with the loan amounts varying up to a maximum of £900. A summary of all Mrs L's lending is shown below;

Loan Number	Date	Amount
1	14/09/2011	£200
2	03/12/2011	£500
3	05/04/2012	£400
4	29/06/2012	£700
5	30/08/2012	£550
6	28/10/2012	£600
7	22/12/2012	£700
8	28/02/2013	£900
9	22/03/2013	£200
10	10/04/2013	£500
11	20/07/2013	£800
12	28/10/2013	£900
13	23/12/2013	£900
14	28/02/2014	£800
15	25/04/2014	£700
16	12/06/2015	£650

Mrs L had some difficulties repaying her final loan – so QuickQuid agreed a repayment plan with her and the loan has now been repaid. Mrs L also repaid her other loans, though from time to time needed to defer her repayment to the following month by rolling the loan over.

Mrs L's complaint was reviewed by one of our adjudicators. He thought that, with the exception of the first loan, the checks QuickQuid had done were insufficient. And he thought that better checks would have shown QuickQuid that Mrs L couldn't afford to repay the loans. So he asked QuickQuid to refund the interest and charges that Mrs L had paid on loans 2-16.

QuickQuid didn't agree with that assessment – it thought that its checks had been proportionate. But it did offer a refund of some of the interest and charges Mrs L had paid in an attempt to resolve the complaint. But Mrs L didn't accept that offer so the complaint has been passed to me, an ombudsman, to issue a final decision. This is the last stage of our process. If Mrs L 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 Mrs L could afford to pay back each loan before it lent to her. I agree with QuickQuid that the guidance in place at the time, and indeed now, was not prescriptive about what checks a lender needed to carry out. But it was clear about the responsibility of the lender to take reasonable steps to ensure that a borrower can *sustainably* repay their loans. The Office of Fair Trading (OFT) Irresponsible Lending Guidance states *“Assessing affordability is a borrower-focussed test which involves 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 goes on say that repaying credit in a sustainable manner means being able to repay credit *“out of income and/or available savings”* and without *“undue difficulty.”* And it defines *“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”*

Even though Mrs L managed to repay her loans in full doesn't automatically mean the loans were affordable for her or that she managed to repay them in a sustainable manner. In other words I can't assume that because Mrs L managed to repay her loans it means that she was able to do so out of her normal income without having to borrow further.

QuickQuid has told us about the checks it performed before lending to Mrs L. I can see that it gathered information from Mrs L's credit file, using two credit reference agencies, at the time of many of Mrs L's loan applications. Although QuickQuid hasn't been able to give us the results of these checks, from what I've seen of Mrs L's credit file, I don't think they'd have shown anything of concern such as defaults or county court judgements.

QuickQuid also says that it gathered other information about Mrs L such as her employment status and her normal monthly income. From the information that I've been given by the lender, I can't see a record of what Mrs L told QuickQuid her income was before October 2014. But I don't think that means QuickQuid didn't ask her for that information – from what I know of QuickQuid's normal business practices this was information it usually gathered. And QuickQuid says that, by the time of Mrs L's final loan, it held information about her normal expenditure too.

I don't know what information Mrs L gave to QuickQuid about her income at the start of her lending relationship. But her first loan was relatively modest in comparison to her actual income – and I doubt she'd have told QuickQuid she was earning less than she actually was. So I think it was reasonable for QuickQuid to have agreed this first loan given its size compared to what Mrs L was earning.

There was then a small gap until Mrs L next asked to borrow from QuickQuid. But the loan Mrs L asked for was significantly larger than she'd taken before. So I think QuickQuid needed to do more than simply ask her about her normal income. Considering the size of this loan I think QuickQuid might have wanted to know more about Mrs L's normal outgoings, and any other short term loans she was taking.

This wasn't information that QuickQuid asked for at the time. But looking at Mrs L's actual financial situation I can see that she was spending almost everything she was earning to meet her normal living costs such as accommodation, bills, food and transport. She didn't have much, if anything, left over after making these payments. So to meet her repayment obligations for her QuickQuid loan Mrs L needed to borrow again – both from QuickQuid and from other payday lenders.

And this pattern continued over the next two and a half years. Mrs L's normal income was being used to meet her living costs, and she was continually taking short term loans to support that income and repay existing borrowing. This wasn't a sustainable position and was something that I think QuickQuid would have been aware of if it had undertaken proportionate checks on Mrs L's finances.

So I don't think that QuickQuid should have given any of the loans to Mrs L after (and including) the loan she took in December 2011.

I have considered that there was a reasonable gap (of just over seven months) between Mrs L repaying loan 15 and taking loan 16. But even considering that gap, Mrs L had been borrowing large sums from QuickQuid for over three years. I don't think QuickQuid could have had much confidence that Mrs L could sustainably afford her next loan and so should have done more to check the income and expenditure information she'd provided. And doing so would have shown that this loan was unaffordable, in the same way as those taken before.

putting things right

I don't think that QuickQuid should have given any of the loans to Mrs L after (and including) the loan she took in December 2011. So for each of those loans, CashEuroNet should;

- Refund any interest and charges applied to them.
- 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 Mrs L's credit file in relation to the loans.

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

my final decision

My final decision is that I largely uphold Mrs L's complaint and direct CashEuroNet UK LLC to put things right as detailed above.

I make no other award against CashEuroNet UK LLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 22 May 2017.

Paul Reilly
ombudsman