Financial Ombudsman Service

complaint

Mr P has complained about short-term loans granted to him by CashEuroNet UK LLC trading as QuickQuid. Mr P says he couldn't afford these loans and that QuickQuid didn't take appropriate steps to check whether he could afford them when he took them out.

background

QuickQuid agreed six short-term loans for Mr P, which were repayable over between one and three monthly instalments. On two of these loans Mr P took a top-up, this is where he took out further borrowing under the same agreement, before paying back the initial amount borrowed. I've set out a summary of the lending below.

loan no.	application	principal amount (£)	no. of monthly repayments	highest monthly repayment (£)
1	11/04/2016	200	2	251
2	09/07/2016	200	2	253
3	23/09/2016	200	1	261
top-up on loan 3	26/09/2016	50 (250)	1	325
4	13/11/2016	300	2	355
top-up on loan 4	16/12/2016	100 (400)	2	528
5	18/04/2017	350	2	434
6	04/07/2017	900	3	1,130

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 Financial Conduct Authority was the regulator at the time Mr P 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."* - CONC 5.3.1(2).

CONC 5.3.1(7) defines 'sustainable' as being able to make repayments without undue difficulty. And explains 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.
In making this decision I've considered whether or not QuickQuid did everything it should've when assessing Mr P's loan applications. And if it didn't, had it done further checks, whether it would've realised that some or all of the loans may have been unaffordable.

Having reviewed the case, I agree with the adjudicator's findings. I think the checks QuickQuid carried out from the top-up on loan 3 onwards were insufficient. And had it carried out proportionate checks, I think QuickQuid would've concluded that loan 6, and the top-up on loan 4 were unaffordable for Mr P, and wouldn't have agreed to them.

So I'm upholding Mr P's complaint for the same reasons as our adjudicator did and directing QuickQuid to put things right in the way she recommended. I appreciate this will be a disappointing outcome for QuickQuid, but I hope my explanation will make it clear as to why I've reached this conclusion.

did QuickQuid carry out proportionate checks?

QuickQuid says it carried out proportionate checks for each of Mr P's applications. It says it implemented an affordability review that it feels is consistent with the FCA Handbook and was in place at the time it received authorisation by the FCA. And it says that its assessment was conducted properly and individually for each of Mr P's last five loans. So I've considered this when deciding this case.

loan 1

Mr P took out his first loan in April 2016, and QuickQuid have provided details of the information it obtained from Mr P at this time. This information suggests that Mr P declared a monthly income of £1,674 when he took out this loan. And had a monthly expenditure (which included his living costs, travel, and regular credit commitments) of around £550. So if QuickQuid was to work purely from what Mr P told it, then it would've been reasonable for it to have concluded that his disposable income was around £1,124 a month.

Given that this was Mr P's first loan with QuickQuid, and he was borrowing just £200 at this stage, I don't think it was unreasonable for QuickQuid to have worked off the figures that Mr P disclosed. And based on these figures, given that the higher of his two monthly scheduled repayments was £251, I don't think it was unreasonable of QuickQuid to have concluded this loan was affordable for Mr P. So therefore, I don't think it was wrong of it to have agreed to this loan on this occasion.

loan 2

Mr P took his second loan with QuickQuid just over a month after settling his first loan. And he was borrowing the same amount (£200) with a similar highest repayment (£252). QuickQuid had again recorded Mr P's expenditure as £550, but at this point it also recorded an uplift in his income to £1,824 a month.

This was only Mr P's second loan, and on broadly the same terms as his first loan, which he he'd repaid on time, and in line with his original repayment schedule. And given that his disposable income would've appeared to QuickQuid to have improved since he took his last loan; for similar reasons, I don't think it was unreasonable of QuickQuid to have concluded this loan was affordable for Mr P. And therefore, I don't think it was wrong of QuickQuid to have agreed this loan for him on this occasion.

loan 3

When Mr P took his third loan from QuickQuid, he again borrowed £200, which was due to be repaid in one instalment of £261. He'd hadn't demonstrated any signs of struggling to meet his previous repayments, and his income and expenditure seemed to remain broadly the same as when he took out his last loan.

So as there was little change in Mr P's circumstances, again I don't think QuickQuid's checks needed to go any further at this stage. And based on the checks QuickQuid did carry out, I don't think it was unreasonable of it to have concluded that loan 3 was affordable for Mr P. So therefore, I don't think it was wrong of it to have lent to him.

loan 3 top-up

Three days after Mr P took out his third loan, he approached QuickQuid again, this time to top-up his existing loan by £50. This is where he took out extra capital before repaying what he'd already borrowed. Considering how quickly he'd gone back to QuickQuid for further borrowing after taking his third loan, and given that he'd been borrowing from QuickQuid for nearly six months at this point, I think by now QuickQuid's checks should've gone further.

I think that in addition to looking into Mr P's monthly living costs and regular financial commitments, QuickQuid should've also looked specifically into whether he had any other short-term lending outstanding at this time. So I don't think its checks went far enough on this occasion.

loan 4

Mr P repaid his third loan at the end of October 2016 and approached QuickQuid in November 2016 for further borrowing, and was this time approved a loan of £300. QuickQuid seems to have recorded similar figures regarding his income and expenditure as when he took out his third loan, and his new highest scheduled repayment was now £355.

Considering how quickly Mr P approached QuickQuid after repaying his third loan, I think QuickQuid should've again asked Mr P about any other short-term lending commitments outstanding at this point. So I don't think its checks went far enough on this occasion.

loan 4 top-up, loan 5 and loan 6

A month after Mr P took out his fourth loan with QuickQuid, he topped up his loan by a further £100, taking the total capital borrowed to £400, and his new highest single instalment to £528.

Given the steady increase in the amounts Mr P was borrowing, and the fact he'd now been borrowing from QuickQuid for over eight months, I think that at this stage, and from this point on, QuickQuid should have built a full picture of Mr P's financial circumstances and verified the information it was given, so that it could be sure that Mr P could sustainably afford his repayments.

In summary, I don't think the checks QuickQuid carried out on any of the applications from the top-up on loan 3 onwards were sufficient. And QuickQuid should've done more to check Mr P could afford the repayments before agreeing to these loans.

So I've gone on to look at what I think QuickQuid would've discovered, had it carried out proportionate checks.

what would proportionate checks most likely have shown?

Mr P's provided bank statements from around the time he took his loans out with QuickQuid. And I've looked at these, and all other available evidence to work out what I think QuickQuid would've found, had it carried out proportionate checks when it set up the loans in question.

loan 3 top-up

When Mr P took out the top-up on his third loan, I've said that QuickQuid's checks should've gone further than they did. And those checks, in addition to looking into Mr P's regular living costs and regular financial commitments, should've also included looking into whether he had any other short-term lending outstanding at this point.

Having reviewed the evidence on file, I think had QuickQuid carried out proportionate checks, it would've seen that in addition to the £550 outgoings it recorded for Mr P, he also owed around £250 to another short-term lender. Mr P's also told us that his rent payments may have been a little higher than the figures disclosed to QuickQuid, and was actually paying around £220 a month on his rent, and not the £150 that QuickQuid had recorded.

But even if I increased the rent payment from £150 up to £220, had QuickQuid carried out proportionate checks, it still would've seen that Mr P had around £1,000 in disposable income, which was more than enough to meet the highest repayment now due, of £355. And as I've said above, I think QuickQuid was entitled to rely on the information Mr P gave it for the questions it asked at this stage.

So I think had QuickQuid carried out proportionate checks, it would've seen that Mr P's had sufficient disposable income in order to meet the repayments due. So it follows, that I don't think QuickQuid was wrong to have agreed to this top-up for Mr P on this occasion.

loan 4

Around two weeks after Mr P paid off his third loan, he went back to QuickQuid again to borrow more, this time taking a loan of £300. As mentioned, I think at this point, QuickQuid should've continued to look into Mr P's regular financial commitments and monthly living costs. But should've also asked him about any short-term lending commitments he may have had at the time.

Had QuickQuid carried out proportionate checks at this point I think it would've again concluded this loan was affordable for Mr P. As it doesn't appear that he owed any further monies to any other short-term lenders at the point in which he took out this loan. And his other outgoings remained about the same.

Based on the figures QuickQuid recorded regarding Mr P's his income and expenditure, which seem broadly accurate, it would've been reasonable for QuickQuid to have concluded that Mr P had over £1,200 in disposable income around this time. And given that the highest repayment due on this loan was £355, I don't think it was unreasonable of QuickQuid to think that Mr P could afford the repayments on this loan. So therefore, I don't think it was wrong of QuickQuid to have approved Mr P's application for loan 4.

loan 4 top-up

Mr P approached QuickQuid for a £100 top-up on his fourth loan around a month after he borrowed the £300. And as I've said above, given the pattern of lending that was now starting to emerge, I think at this point QuickQuid should've been alerted to the fact that Mr P may have been starting to become dependent on this type of lending. So from this point on, I think it should've carried out a full review of Mr P's financial circumstances and verified the information it was given.

Had QuickQuid carried out proportionate checks at this point, I think it would've seen that Mr P's outgoings were actually considerably higher than the figures QuickQuid had recorded, and were in the region of £1350 a month.

His monthly living costs were around £860. This included the £220 rent mentioned earlier, around £90 on council tax, and £150 on food costs. He was also spending over £300 a month on utilities and insurances, and around £60 a month on fuel, as well as some other smaller regular payments.

Mr P's regular monthly credit commitments totalled around £280 a month at this point. And he owed around £200 to another short-term lender.

So while his income was broadly at the level QuickQuid recorded, had QuickQuid carried out proportionate checks, after deducting his outgoings from his income, it would've seen that Mr P only had around £490 a month leftover, out of which to meet his monthly repayments.

The highest monthly instalment QuickQuid expected him to repay after topping up this loan was now £528. So had QuickQuid carried out proportionate checks at this point, I think it would've seen Mr P had insufficient disposable income available to sustainably afford the repayments due. And as a result, I don't think it would've approved this top-up knowing this.

loan 5

In April 2017, Mr P approached QuickQuid for his fifth loan, and this time borrowed £350. It was now around two and a half months since he'd settled his previous loan, and this time he was borrowing £350. As I've said, by now QuickQuid should've been carrying out a full review of Mr P's financial circumstances and verifying the information it was given.

Had QuickQuid done so, it would've seen at this point that Mr P's income had actually increased to over £2,000 a month. His living costs were still in the region of £800 at this point, and he was now paying out around £700 a month on his financial commitments.

But I can't see that he owed any monies to any other short-term lenders at this point. So after deducting his outgoings from his income, it appears he would've still had in excess of £550 a month in disposable income.

The highest monthly repayment due on loan 5 was £434. So I think that even if QuickQuid had carried out a full review of Mr P's financial circumstances and verified the information it was given, it would still have been reasonable of it to have concluded this loan was affordable for Mr P at the time. And therefore I don't think it was wrong of QuickQuid to have agreed to this loan on this occasion.

loan 6

Mr P took his final loan with QuickQuid in July 2017, just a few days after repaying loan 5. And this time, the amount he borrowed increased considerably, to £900.

Mr P's monthly income at this point was still over £2,000. And he was still paying out around £700 a month on his regular financial commitments. His monthly living costs had decreased slightly to around £650, so this left him with a disposable income in the region of £740.

But while Mr P's disposable income had increased a little; and while his new loan was repayable over three months; the highest monthly repayment now due had increased considerably to £1,130. As well as this, Mr P appears to have struggled to meet his repayments on his previous loan in line with the original agreement. He rolled over the final repayment, and repaid just the interest at the beginning of June, deferring his capital repayment to the end of the month, resulting in him being charged additional interest.

So I've considered the issues Mr P had in meeting his most recent repayment; and taken into account the considerable uplift in the amount Mr P was now borrowing. And with a disposable income of around just £740, I think had QuickQuid carried out proportionate checks, it would've seen Mr P had insufficient disposable income available to sustainably repay this loan. And therefore I don't think QuickQuid would've approved it in light of this.

In summary, I don't think the checks QuickQuid carried out on any of the above loan applications from the top-up on loan 3 onwards were proportionate. And had QuickQuid carried out proportionate checks, it would've realised that loan 6 and the top-up on loan 4 were unaffordable for Mr P, and as a result, would not have agreed to them.

what QuickQuid should do to put things right

For the reasons outlined above, I think QuickQuid should not have agreed to loan 6, or the top-up on loan 4. So QuickQuid needs to refund all of the interest and charges Mr P paid on these loans.

Specifically, it should:

- refund the additional interest and charges as a result of the top-up on loan 4 it agreed in December 2016
- refund the interest and charges for loan 6 agreed in July 2017
- pay interest on these refunds at 8% simple from the date of payment to the date of settlement
- remove any adverse information about these loans from Mr P's credit file

If Mr P still owes QuickQuid any of the principal balance he borrowed on loan 6, QuickQuid may deduct this from the compensation that is due to him. To be clear, any outstanding balance should be recalculated to remove any interest and charges, but taking account of any repayments Mr P has made on those loans as though they were applied against the principal sum borrowed.

If QuickQuid no longer owns this debt, it needs to buy it back. If it doesn't then it isn't entitled to make any deductions for it from the amount it needs to pay Mr P. If, after the total compensation has been applied against any principal balance outstanding, there is still a sum outstanding, a mutually agreeable repayment plan should be arranged.

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

my final decision

For the reasons set out above I uphold Mr P's complaint.

And I require CashEuroNet UK LLC trading as QuickQuid, to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 30 September 2018.

Brad Mcilquham
ombudsman