

complaint

Mr R complains about the short term loans he took out with Casheuronet UK LLC trading as QuickQuid. Mr R says that the loans weren't affordable. He says it can't have made suitable credit or affordability checks or it would've seen this. He says QuickQuid made his financial situation worse.

background

Mr R took out 6 payday loans between November 2014 and June 2015. Some of the information QuickQuid has given us is shown in the table below.

number	started	amount borrowed	term (days)	number of repayments	ended
1	13/11/2014	£300.00	41	2	07/12/2014
2	10/12/2014	£50.00	51	2	01/02/2015
2a	11/12/2014	£50.00	50		
2b	12/12/2014	£100.00	49		
3	17/02/2015	£100.00	42	1	25/02/2015
3a	20/02/2015	£50.00	39		
3b	24/02/2015	£25.00	35		
4	01/03/2015	£400.00	30	1	04/03/2015
5	19/03/2015	£250.00	42	2	10/06/2015
5a	02/04/2015	£300.00	89		
6	13/06/2015	£450.00	76	3	04/01/2018
6a	04/08/2015	£125.00	77		

- loans 2a, 2b, 3a and 3b were increases to existing loans (the amount of the loans changed),
- loans 5a and 6a were refinances to existing loans (the term and the amount of the loans changed).

QuickQuid has looked at Mr R's complaint and said that it shouldn't be upheld. It said that it did appropriate checks for all of the lending. And Mr R's borrowing pattern didn't indicate that he was dependent on short term lending.

One of our adjudicators looked at what Mr R and QuickQuid said and they thought his complaint should be partially upheld. She thought that QuickQuid had made proportionate checks for loans 1 to 3. So she thought that its decisions to lend for these loans were reasonable.

She didn't think that QuickQuid had made proportionate checks for loans 4 to 6. She thought if it had then it wouldn't have agreed to lend Mr R money for these loans. This is because she didn't think that Mr R could afford the repayments. And QuickQuid would've seen this had it completed better checks.

Mr R didn't disagree with our adjudicator

QuickQuid didn't agree with our adjudicator. It said that:

- all of the checks it made were proportionate. The income and expenditure it recorded showed that the loans were affordable,
- QuickQuid didn't need to consider disposable income; this was in excess of the regulator's rules,
- the industry regulator, the FCA has approved the checks QuickQuid made for loans 4 to 6.

So as no agreement's been reached the complaint's been passed to me to me to issue a 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. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Having done so, I've decided to partially uphold Mr R's complaint. I think it should be upheld for loans 4 to 6. I'll explain why.

Mr R didn't disagree with our adjudicator's opinion about loans 1 to 3. So there is no longer any disagreement about these loans. Because of this I won't be making a decision about whether QuickQuid did something wrong in respect of them. But they were part of the borrowing relationship Mr R had with QuickQuid. As such they are something I will take into account when considering the other loans he took.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid.

So I've firstly looked at whether QuickQuid performed proportionate checks. If I think that the checks were proportionate then it usually would've been reasonable for it to lend. But if QuickQuid didn't do proportionate checks I've looked at whether it would've been apparent to it that the loan repayments were affordable had it done better checks. QuickQuid should put things right if it's likely to have then found that the loan repayments were unaffordable.

QuickQuid says it made a number of checks before lending. It said that:

- it recorded Mr R's income and expenditure for each of the loans. This showed he had a disposable income of around £700,
- it carried out credit checks and it's shown us some of the results it obtained before approving loan 6,
- Mr R had a sound repayment history and he didn't inform it of any financial hardships.

Based on what it saw from these checks it thought it reasonable to lend to Mr R.

why I don't think QuickQuid's checks were proportionate

I've carefully thought about what QuickQuid has provided and what it has said. But overall given everything QuickQuid knew about Mr R and what consumer being expected to commit to, I think it would've been proportionate for QuickQuid to carry out additional checks before approving loans 4 to 6.

By loan 4 Mr R had been lending from QuickQuid for just less than 3 months. And the amount Mr R borrowed for loan 4 was relatively high with the end repayment being not far short of his recorded disposable income.

So I think I think QuickQuid could've realised at that time that Mr R may be becoming dependent on short term lending rather than using the loans to help with a temporary cash flow problem. QuickQuid should've also become concerned about whether it knew enough about Mr R's true financial situation.

So by loan 4, and going forward, I think that it would've been proportionate to find out about Mr R's normal monthly living costs and regular financial commitments - including any existing short term lending. And I think that it needed to verify, at least some of, this information.

QuickQuid didn't do this here. I can't see that it took any steps to verify the information Mr R was providing. So I need to think about whether QuickQuid would've seen anything to suggest it shouldn't have given these loans if it had carried out proportionate checks.

what I think proportionate checks would most likely have shown

Mr R has provided some information about his financial circumstances. This includes his bank statements and a recent credit report. I accept that this isn't necessarily what QuickQuid would've seen at the time. But as I think it's reasonable to rely on it.

Mr R's monthly income was just over £1,300 over this period of lending. His regular expenses did vary but he seems to spend around £600 each month on regular bills such as rent, food and utilities. He had regular financial commitments of around £200. This gave him a disposable income of around £500 each month.

But Mr R borrowed and repaid around a further £300 to £400 each month to other short term lenders. And sometimes the amounts are larger; I can see he repaid just under £1,000 to other short term lenders before taking loan 6.

He also took two larger instalment loans. He borrowed £1,000 before loan 5 and £3,000 before loan 6 which he repaid over the subsequent months. So Mr R had very little, if any, left over when taking all this into account.

And, proportionate checks would've also shown QuickQuid that a substantial portion of Mr R's income was going on gambling. And I think that if QuickQuid would've seen this, it wouldn't have lent to Mr R in these circumstances.

Having carefully looked at everything provided, it's clear that Mr R wasn't in a position to be able to make the payments for these loans in a sustainable way once his normal living costs regular financial commitments and existing short-term loans, and other expenses are taken into account.

So, given the circumstances of this case, I think if QuickQuid had made proportionate checks it would've seen this and not lent to him. And so I think Mr R's lost out as a result of this.

I've thought about what QuickQuid has said about making proportionate checks in 2015 that were in line with the regulator's requirements. QuickQuid approved loans over a period of just under a year. It should've made further checks to find out why Mr R was using what should be a short term solution to a temporary cash flow problem in this way. So for the reasons I've said above I still don't think that it did enough here.

And QuickQuid did record, and base its expenditure checks on, Mr R's disposable income. So I think it's reasonable to look at it here.

what QuickQuid should do to put things right

To put things right for Mr R, QuickQuid should:

- refund all the interest and charges applied as a result of loans 4 to 6; and
- add interest at 8% per year simple on the above interest and charges from the date they were paid, if they were, to the date of settlement†;
- remove any adverse information recorded on Mr R's credit file as a result of the interest and charges on these loans;

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

my final decision

For the reasons I've explained, I partly uphold Mr R'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 am required to ask Mr R to accept or reject my decision before 25 October 2018.

Andy Burlinson
ombudsman