

complaint

Mr B complains that CashEuroNet UK LLC (trading as QuickQuid) gave him money that he couldn't afford to repay.

background

Mr B took out three loans with QuickQuid including two top-ups of loan two. Mr B wants QuickQuid to refund the money that it lent to him.

No.	Date of Loan	Amount borrowed	Instalments	Maximum monthly repayment	Repayment date
1	19 November 2015	£100	1	£128	24 December 2015
2	3 March 2016	£250	3	£314	31 May 2016
Top up	12 March 2016	£150	3	£502	31 May 2016
Top up	15 March 2016	£100	3	£528	31 May 2016
3	22 June 2016	£100	3	£124	30 September 2016

QuickQuid recorded Mr B's net monthly income to vary between £1,580 and £1,600. It says Mr B declared monthly expenses of between £325 and £335. QuickQuid agreed to lend based on this information and various credit checks.

The adjudicator recommended that Mr B's complaint be upheld in part. He thought QuickQuid's checks went far enough before agreeing loans one and two. But the adjudicator also thought QuickQuid should've queried the amount of rent Mr B was paying as it seemed low at £50 a month.

The adjudicator didn't think QuickQuid carried out proportionate checks before agreeing the top-ups and loan three. The adjudicator thought that with better checks, the top-ups and loan three wouldn't have appeared affordable.

The adjudicator asked QuickQuid to refund interest and charges on the top-ups and loan three as well as removing any negative information about them from Mr B's credit file.

QuickQuid disagreed with the adjudicator's recommendation. It said that the affordability review it carried out was consistent with the Financial Conduct Authority (FCA) Handbook. QuickQuid said it used credit reference agency data to make sure that the customer's self-reported expenditure figures were accurate.

QuickQuid said it properly assessed how much monthly disposable income Mr B had and based on all of this information, it didn't agree that the top-ups or loan three were unaffordable.

my provisional findings

I considered all the available evidence and arguments to decide what was fair and reasonable in the circumstances of this complaint. After doing this, I was minded to uphold Mr B's complaint in part but I didn't consider that QuickQuid needed to do anything about loan three. I issued my provisional decision on 22 August 2018.

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr B could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr B was borrowing, and his lending history, but there was no set list of checks QuickQuid had to do.

loans one and two

It was early on in Mr B's lending history with QuickQuid. The maximum monthly repayment on loan one represented less than 10% of his declared income. I considered a proportionate check should've included asking about Mr B about his living costs and regular credit commitments.

Although Mr B asked to borrow more when he took out loan two, I agreed with the adjudicator that QuickQuid should've been carrying out similar checks to the ones it did before agreeing loan two.

QuickQuid gave us evidence that it asked about Mr B's income, living costs and regular credit commitments. It also carried out credit checks. Based on the information that Mr B gave about his circumstances, it looked as though he could afford to repay both loans.

The adjudicator thought that QuickQuid should've queried Mr B's housing costs on the basis they were on the low side but I didn't entirely agree. There could be a number of reasons why someone was paying less rent, such as sharing payments with a friend or partner or living with family or friends. I thought it was reasonable of QuickQuid to rely on the information Mr B gave.

top-ups

Mr B topped up loan two shortly after taking out the loan. This meant that Mr B's maximum repayment to QuickQuid increased to just over £502. The repayment represented almost a third of Mr B's declared monthly income.

I thought that the pattern of borrowing and increased repayment amount should've reasonably led QuickQuid to have concerns about whether it knew enough of Mr B's financial situation to agree the top-up.

I thought it would've been proportionate to expect QuickQuid to ask Mr B whether he had any other outstanding short term loans at this point.

If QuickQuid had done this, it seemed likely it would've discovered that Mr B owed other short term lenders about £1,000. Mr B had declared living costs and regular credit commitments of £335 so he wouldn't have had enough disposable income to afford the maximum repayment on the first top-up.

I would've expected QuickQuid to carry out the same kind of checks when Mr B asked for his second top-up a few days later. As Mr B's financial situation was broadly similar, QuickQuid would've seen that he couldn't sustainably afford to repay £528 – that is without borrowing elsewhere.

Although I appreciated what QuickQuid said about the level of checks it carried out, I didn't have any evidence that it asked Mr B directly about his short term lending and I agreed that it should've done this.

I could also see that when QuickQuid carried out its own validation process, it estimated Mr B's monthly disposable income to be about £367 at the time of both top-ups. So the maximum repayment on each top-up wasn't affordable based on QuickQuid's own figures.

loan three

This is where I was provisionally minded to reach a different decision to the one that the adjudicator recommended. Although I agreed that QuickQuid should've asked Mr B about his other short term loans, I also thought it was reasonable to rely on what Mr B had already told QuickQuid about his living expenses and regular credit commitments.

By loan three, Mr B owed less to other short term lenders – nearer £850. He declared his monthly income to be £1,600. If I added Mr B's short term lending commitments to his declared expenses of £335 it would've still looked as though Mr B could afford to repay £124 from his disposable income. This meant I couldn't find QuickQuid was wrong to agree loan three.

further submissions

Mr B didn't reply to my provisional decision but QuickQuid did. QuickQuid doesn't agree with my provisional decision. It has asked me to consider screenshots of the application process as well as a sample acknowledgement from its loan contract that customers need to check when they are due to repay more than their estimated disposable income.

my findings

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I'm grateful to QuickQuid for the further information but it doesn't change my decision.

QuickQuid says it asked Mr B about his other payday loans as part of the application process. But as far as I can see from the relevant screenshot, the examples of what should be included in "*Monthly Credit Commitments*" are enclosed within a drop down menu. I also think that there's a difference between a credit commitment that's due to be paid each month and a payday loan which is usually a one-off commitment.

As Mr B didn't include details of his other payday lending commitments when he topped up loan two, I can't reasonably say that QuickQuid did enough to find out about them.

Even if I thought QuickQuid's checks were proportionate, I would still uphold Mr B's complaint about the top-ups. QuickQuid expected Mr B to be able to pay more than £500 from an estimated disposable income of £367. Although QuickQuid says Mr B had to check a box in his loan agreement explaining that he was due to make a repayment that was greater than his disposable income, I don't know whether Mr B saw this before QuickQuid agreed the top-ups.

Even if Mr B had seen the check box, I still don't think QuickQuid acted responsibly when it approved the top-ups given how much higher they were than Mr B's estimated disposable income.

Overall, I still consider it's reasonable to make my final decision along the same lines as my provisional decision.

putting things right

To put things right QuickQuid should:

- Refund any interest and charges paid on the top-ups of loan two;
- 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*; and
- Remove any negative information recorded about the top-ups from Mr B's credit file.

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

my final decision

My decision is that I uphold this complaint. In full and final settlement, I direct CashEuroNet UK LLC (trading as QuickQuid) to put things right as detailed above.

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

Gemma Bowen
ombudsman