

complaint

Ms T complains that CashEuroNet UK LLC (trading as Quick Quid) gave her unaffordable payday loans. She wants compensation and her credit record amended.

background

Ms T had three payday loans with three top ups from Quick Quid between November 2014 and April 2015. She said Quick Quid didn't carry out enough checks that the loans were affordable for her. Quick Quid said its checks had shown that Ms T had sufficient disposable income to repay her loans. It said it had lent to her responsibly.

Our adjudicator recommended that the complaint should be upheld in part. He thought Quick Quid's affordability checks had gone far enough for loan one and the initial loan two, but not thereafter. But he didn't have enough information to see what better checks would have found, except for the second top up of loan three.

The adjudicator thought Quick Quid's own checks had shown that this loan was unaffordable and so he thought it had been wrong to approve it. The adjudicator recommended that Quick Quid refund Ms T's interest and charges for this loan, with interest, and remove related adverse information from her credit file.

Quick Quid replied that the second top up of loan three was affordable looking at Ms T's disposable income over the full term of the loan. It also said that the adjudicator hadn't any evidence to show that the loan was unaffordable for Ms T.

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 considered carefully all the evidence and information Quick Quid has provided in relation to Ms T's individual circumstances.

Ms T's first loan was for £100 to be repaid in one instalment of £132.26. A month later she borrowed a further £100 to be repaid in two monthly instalments, the highest being £122.40. Ms T then topped up this loan by £300 and her largest expected instalment was now £489.60. Four days after repaying this, loan three was for £300. Ms T's largest expected instalment was £367.20. Ms T topped up this loan twice and her instalments increased to £459.00 and then £703.80. Ms T struggled to repay this loan and cleared it through a pre-default payment plan.

Quick Quid was required to lend responsibly. It should have made checks to make sure that Ms T could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Ms T was borrowing, and her lending history. But there was no set list of checks Quick Quid had to do.

Quick Quid said it asked for Ms T's monthly income and expenditure for each loan. Ms T said she earned around £1,230 for all her loans. She stated her expenditure as £525 for loan one and this remained unchanged during her borrowing. Quick Quid said it carried out a credit check for each loan and it provided the results of the last one of these. It said these showed that there were no signs that Ms T would be unable to afford her loans.

I agree with the adjudicator that these checks were proportionate and sufficient for loan one and the initial loan two. These loans were small compared to Ms T's stated income and they looked affordable compared to her stated disposable income. So I can't say it was unreasonable for Quick Quid to approve them.

When Ms T asked for the top up of loan two, her largest expected monthly repayment increased substantially. So I'd expect Quick Quid to also ask Ms T about her other short-term borrowing to check affordability. And for her further loans, I think the pattern and frequency of Ms T's borrowing should have prompted Quick Quid to verify what Ms T had told it and to check her financial circumstances before further lending to her.

Despite repeated requests, Ms T hasn't provided us with her bank statements or credit record from the time. So I can't verify what she's told us about her actual circumstances at the time. And, without this, I can't safely say what better checks would have found for the top up of loan two, or the initial loan three and its first top up.

But I agree with the adjudicator that Quick Quid's own checks showed that Ms T didn't have enough disposable income to repay her largest monthly instalment for the second top up of loan three. I don't think it's fair to say that Ms T could have saved to meet this repayment. I think its own checks showed that the loan was unsustainable for Ms T. And so I think Quick Quid was wrong to approve this loan.

my final decision

My final decision is that I uphold this complaint in part. I require CashEuroNet UK LLC (trading as Quick Quid) to do the following:

1. Refund Ms T the interest and charges she paid on the second top up of loan three, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Quick Quid to withhold income tax from that interest. It must give Ms T a certificate showing how much it's taken off if she asks for one.
3. Remove any adverse information relating to this loan from Ms T's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 9 December 2018.

Phillip Berechree
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