

complaint

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

background

Mr S has complained about six loans. His borrowing history is as follows:

Loan	Date taken	Total	Amount to be repaid	Repayments	Max repayment	Date repaid
1	04/09/2015	£400	£646	3	£493	20/11/2015
2	01/08/2017	£800	£1,132	2	£998	19/08/2017
3 top-up top-up	05/09/2017	£350	£476	2	£428	21/09/2017
	11/09/2017	£250.00	£804	2	£734	21/09/2017
	19/09/2017	£100.00	£929	2	£857	21/09/2017
4 top-up	09/10/2017	£900	£1,433	2	£1,116	21/11/2017
	10/10/2017	£400	£2,066	2	£1,612	21/11/2017
5	19/12/2017	£500	£636	1	£636	21/12/2017
6 top-up	07/01/2018	£1,000	£1,592	3	£1,224	N/a
	13/01/2018	£300	£2,055	3	£1,591	N/a

QuickQuid recorded Mr S's net monthly income to be £2,100. Mr S declared his monthly expenses to be around £825 before loan one and £875 before loans two to six. QuickQuid also carried out some credit checks.

The adjudicator recommended that Mr S's complaint be upheld in part. He thought that QuickQuid did enough to assess affordability before loan one. The adjudicator didn't think QuickQuid's checks went far enough before agreeing loans two to six.

The adjudicator thought that with better checks QuickQuid would've realised that Mr S didn't have enough disposable income to afford loans two to six.

He asked it to refund the interest and charges Mr S had paid on the five loans. As well as removing any negative information about them from his credit file.

QuickQuid doesn't agree with the adjudicator's recommendation. QuickQuid has told us that since 1 March 2015, it implemented an affordability review, which involved collecting and validating income and expense details, in line with the Financial Conduct Authority (FCA) Handbook. As such, it considers Mr S's loans were affordable.

It also says where there are multiple repayments over two or three months, Mr S could have saved enough money from his disposable income in the initial month(s) – through having to make a much smaller payment – in order to make the final larger payment.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

QuickQuid was required to lend responsibly. It needed to make checks to see whether Mr S 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 S was borrowing, and his lending history, but there was no set list of checks QuickQuid had to do.

I agree with the adjudicator that QuickQuid's checks went far enough before agreeing loan one. As Mr S doesn't seem to disagree with this, I don't consider I need to say more about loan one.

Although there was a significant gap between Mr S taking out loan one and asking to borrow again, QuickQuid expected him to pay a second instalment of just under £1,000. This represented almost half of Mr S's declared monthly income.

I appreciate that QuickQuid asked Mr S for details of his income and outgoings and it carried out credit checks, but I think it should've been doing more to make sure that he could afford to repay the loans.

For loans two to six, I think it was reasonable to expect QuickQuid to carry out a comprehensive check to try and independently verify the information Mr S was giving about his finances. QuickQuid could've done this in a variety of ways such as asking to see payslips, bills or bank statements.

Just because I don't consider that QuickQuid's checks went far enough before agreeing loans two to six, it doesn't mean that Mr S's complaint about these loans must necessarily succeed. I'd also need to be persuaded that what I consider to be proportionate checks would've shown QuickQuid that Mr S couldn't sustainably afford the loans.

As Mr S has given us copy bank statements, I've used these to decide what a proportionate check would've revealed before agreeing loans two to six (including any top-ups).

loan two

Mr S was making regular monthly payments of more than £1,000 towards his debt management plan (DMP). Together with his rent and other regular expenses such as food and travel, Mr S had monthly outgoings of just under £2,110. This left him with a monthly disposable income of under £320.

QuickQuid has said that it made it clear to Mr S that he might need to "save" some of his disposable income to afford the final repayment. However, I don't think it was realistic to expect Mr S to "save" £1,000 from his disposable income of under £320 in the space of two months.

If QuickQuid had carried out what I consider was a proportionate check, it would've discovered that Mr S couldn't afford to repay loan two in a sustainable way – that is without borrowing further.

loan three

Mr S asked for loan three less three weeks after repaying loan two. For the same reasons that I've explained above, I think with better checks, QuickQuid would've seen that Mr S didn't have enough disposable income to afford the highest repayment on loan three.

Mr S topped up loan three twice. Again, I don't think it was realistic to expect Mr S to "save" enough from his disposable income of around £320 to be able repay the final instalment.

loan four

Mr S asked to borrow £900 less than three weeks after he'd repaid loan three. And he topped up loan four by £400 the next day.

I think the number of top ups that Mr S had been taking in quick succession should've given QuickQuid some serious concerns about the true state of Mr S's finances. With proportionate checks, I think QuickQuid would've discovered that Mr S couldn't afford to repay loan four (including any of the top ups) from his monthly disposable income of less than £320.

loan five

Shortly before Mr S applied for loan five, it looks as though he received a significantly higher payment from his employer – possibly some kind of bonus. This had the effect of inflating his usual bank balance for a short period.

As I would've expected QuickQuid to carry out the same level of checks as for loans two to four, QuickQuid might've found out about the larger salary payment in November 2017. However, it seems likely that QuickQuid would've discovered that Mr S quickly spent the money in his account making payments towards his DMP and other loans.

I think that QuickQuid would've had concerns over why Mr S needed to borrow again so soon after receiving the additional money from his employer. As a responsible lender, I would've expected QuickQuid to have concerns that Mr S was using payday loans to help pay for living costs rather than to help pay for unexpected or one off expenses as intended.

If QuickQuid had carried out better checks, I think it would've discovered that Mr S couldn't afford to repay loan five in a sustainable way.

loan six

Mr S borrowed £1,000 and topped this loan up by £300 a week later. Mr S's income had returned to normal and his outgoings remained about the same as when he took out the previous loans.

Although QuickQuid expected Mr S to repay loan six by a three instalments, I'm not persuaded that someone in Mr S's position was able to 'save' some of his disposable income for the large final payment that he needed to make.

For all the reasons that I've set out above, I think proportionate checks would've shown QuickQuid that Mr S didn't have enough disposable income to be able to afford to repay loan six.

Overall, I think Mr S has lost out and QuickQuid should pay him compensation.

Mr S still owes money on loan six. As he's had the benefit of this money, it's fair to allow QuickQuid to apply the refund against any outstanding principal if it chooses.

putting things right

To put things right QuickQuid should:

- Refund any interest and charges paid on loans two to six;
- 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*;
- Write off any unpaid interest and charges on loan six;
- If it chooses to, apply the refund to any outstanding principal balance before paying any remaining balance (if there is any) to Mr S**; and
- Remove any negative information about loans two to six from Mr S's credit file.

*HM Revenue & Customs requires QuickQuid to take off tax from this interest. QuickQuid must give Mr S a certificate showing how much tax it's taken off if he asks for one. If QuickQuid intends to apply the refund against the principal balance outstanding, it must do so after taking off the tax.

** if after carrying out these steps there's still a principal balance due, I would expect QuickQuid to treat any repayment offer that Mr S makes sympathetically and reasonably. I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

my final decision

My decision is that I uphold this complaint in part. To put things right, I require CashEuroNet UK LLC (trading as QuickQuid) to take the steps outlined in the above bullet points.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 December 2018.

Gemma Bowen
ombudsman