

complaint

Miss F complains about the short term loans she took out with Casheuronet UK LLC trading as QuidQuid. Miss F says that QuickQuid lent irresponsibly.

background

Miss F took out two loans between March and August 2013. The first was a payday loan and the second was a flex credit arrangement. The flex credit was a running credit agreement where Miss F could borrow money up to an agreed limit and repay it over time.

- loan 1 was started on 6 March 2013. Miss F borrowed £300 and repaid £375 on 22 March 2013; and
- loan 2 was started on 3 August 2013. It had a credit limit of £450 and a term of 11 months. The highest scheduled repayment of £209.64 was due in the third month

I can see that QuickQuid wrote to Miss F in June 2014 saying the repayment schedule for the flex credit had been updated. The agreement had 11 months to run from this point. And in January 2015 QuickQuid told Miss F that she could no longer draw capital from the agreement. It was fully repaid in May 2015.

QuickQuid looked at Miss F's initial complaint and said that it shouldn't be upheld. It said that it did appropriate checks for both loans. And these checks showed that the lending was affordable, that Miss F wasn't dependent on short term lending, and there were no signs of financial hardship.

One of our adjudicators looked at what Miss F and QuickQuid said. He thought Miss F's complaint should be upheld. He didn't think QuickQuid had made proportionate checks for any of the lending. He thought if it had then it wouldn't have agreed to lend Miss F any money. This is because he didn't think that she could afford the repayments. And QuickQuid would've seen this had it completed better checks.

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

- it thought the checks were proportionate; and
- there was no suggestion of any repayment difficulties; and
- the flex credit was a longer term arrangement and so the repayments were lower and more affordable

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 uphold Miss F's complaint. Having reviewed the evidence I have available, I think QuickQuid was wrong to have given Miss F both of these loans. I'll explain why.

Before lending money to a consumer a lender should take proportionate steps to understand whether they will be able to repay what they're borrowing in a sustainable manner. A lender should gather enough information for it to be able to make an informed decision on the lending. The lending shouldn't adversely impact a consumer's financial situation.

The guidance and rules themselves didn't set out compulsory checks. But any checks needed to be proportionate and could take into account a number of different things. This could include things such as how much was being lent, the size of the repayments and what the lender found out about the consumer.

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 checked:

- how much Miss F earned before lending. It recorded her income as being £871; and
- Miss F's credit report and the reasonableness of the information provided; and
- the size of the loans in relation to Miss F's income

And based on what it saw from this it thought it reasonable to lend. It says these checks didn't highlight any cause for concern.

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

I've carefully thought about what QuickQuid and Miss F have provided and what both sides have said.

For loan 1 Miss F needed to repay just under £400 just over two weeks after taking it I think this was a very high proportion of her recorded monthly income of just over £850.

There was a break in the ending of around five months between the repayment of loan 1 and when the flex credit was started. But Miss F was able to draw down £450 from the flex credit. The highest repayment of over £200 was still a fairly high proportion of her income. And she would need to repay this over a long period of time.

Because of these factors I think QuickQuid could've realised at that time that Miss F may have some financial problems. It should also have become concerned about whether it knew enough about Miss F's true financial situation.

So I think that it would've been proportionate to find out about Miss F's normal monthly living costs and regular financial commitments including any existing short term lending before approving these loans. QuickQuid should've made sure Miss F was in position to make the repayments sustainably.

I don't think QuickQuid did this here. It only found out Miss F's income and looked at her credit file. So I need to think about what QuickQuid would've seen if it had carried out proportionate checks.

what I think proportionate checks would most likely have shown

Miss F has provided some information about her financial circumstances. This includes information on her outgoings and a recent credit report. I accept that this isn't exactly what QuickQuid would've seen at the time. But I think it would've found out similar information if it had made proportionate checks, so I think it's reasonable to rely on it.

Miss F has said that she paid about £225 in rent each month and she paid £200 in transport costs. She paid around £50 a month for a mobile phone and £120 to credit cards. And Miss F would've had other costs such as food and regular bills on top of this which she hasn't been able to provide information about. I can also see that she had other short term lending commitments outstanding of around £400 before each of these loans.

So I think it's reasonable to say her monthly expenditure, including short term lending was likely to be at least £1,000. So I don't think Miss F could afford the repayments for these loans. Her expenditure was already significantly higher than her recorded income.

I think that QuickQuid would've found out this information if it had made proportionate checks. And I think it would've seen Miss F was unlikely to have been able repay the loans in a sustainable way. So I think that QuickQuid shouldn't have approved either loans to Miss F and I think she's lost out as a result of this. So I'm upholding Miss F's complaint about loans 1 and 2.

what QuickQuid should do to put things right

To put things right for Miss F, QuickQuid should:

- refund all the interest and charges applied as a result of loans 1 and 2; 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*; and
- remove any adverse information recorded on Miss F's credit file about these loans

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

my final decision

For the reasons I've explained, I uphold Miss F'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 Miss F to accept or reject my decision before 19 December 2018.

Andy Burlinson
ombudsman