

complaint

Mr H complains about four instalment loans he took out with CashEuroNet UK LLC (trading as Pounds to Pocket) which he says Pounds to Pocket shouldn't have given him because the loans were unaffordable.

background

Mr H borrowed four instalment loans from Pounds to Pocket (and topped up the second loan three times) and his borrowing history is as follows;

Loan number	Loan / top up amount	Received date	Actual repayment date	Payment per month
1	£1,000	27/01/2012	19/10/2012	£156.96
2	£1,000	18/12/2012	27/04/2014	£108.84
	£275	15/09/2013		£126.27
	£370	25/09/2013		£184.71
	£215	08/11/2013		£178.78
3	£1,150	10/06/2014	31/07/2014	£176.12
4	£600	05/08/2014	06/02/2015	£93.46

The background to this complaint was set out in my provisional decision dated 15 March 2017. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to partly uphold Mr H's complaint. I invited both parties to let me have any further comments or evidence. Mr H didn't have anything further add. But Pounds to Pocket did have some additional information it would like me to consider.

I've carefully considered everything Pounds to Pocket has told me. In summary it says;

- While Mr H did have loans with Pounds to Pocket's sister company they are two different entities offering different products. Pounds to Pocket will not outright reject a customer simply because they have a history of borrowing from other creditors but will assess the application in order to provide an affordable loan.
- The 44 day gap between his second and third instalment loan would've allowed Mr H to gain a financial footing and
- Pounds to Pocket acknowledges the severity of Mr H's gambling, but this couldn't be factored into its affordability assessment as it was unaware of what Mr H was spending his money on. Pounds to Pocket says that Mr H's gambling problem contributed to his financial difficulties rather than the loans he took out with it.

my findings

I've once again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint and having done so I think Mr H's complaint should be partly upheld.

I do acknowledge that Pounds to Pocket and its sister company are separate entities and do offer different products. But we do know that the two companies share a system and I thought about this when coming to my decision.

Pounds to Pocket is also says it wouldn't reject a customer due to other borrowing – but that's not what I had concerns about. Instead I was concerned that Pounds to Pocket's checks didn't go far in establishing whether Mr H was in a position to sustainably repay his borrowing and being aware of Mr H's other borrowing would be part of knowing whether he could repay the loans.

As I explained in my provisional decision, there was no set list of checks Pounds to Pocket had to do – but it did have to make sure that Mr H was able to sustainably repay his loans. So although Pounds to Pocket can't give me the full results of its own checks I still don't think these went far enough to tell Pounds to Pocket whether Mr H would be able to sustainably repay what he'd borrowed.

Pounds to Pocket says that a 44 day between loans two and three would've allowed Mr H to gain a financial footing. But I don't think this is long enough considering Pounds to Pocket didn't have any other information to suggest otherwise. And I think had Pounds to Pocket carried out what I'd consider to be proportionate checks it would've realised that Mr H's financial position hadn't improved.

While I can see Mr H didn't tell Pounds to Pocket that he had a gambling problem. But I do think that had Pounds to Pocket carried out what I'd consider to be proportionate checks it would've realised what Mr H was spending his money on and it wouldn't have lent to him.

So having considered the additional information Pounds to Pocket has given me, and everything I saw before making my provisional decision, I still don't think all of Pounds to Pockets checks were proportionate. And had proportionate checks been carried out Pounds to Pocket wouldn't have given Mr H all of the loans.

what Pounds to Pocket should do to put things right

To put things right for Mr H, Pounds to Pocket should:

- refund all the interest and charges paid by Mr H on loans two, three and four;
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement †; and
- remove any adverse information recorded on Mr H's credit file because of these loans.

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

my final decision

For the reasons I've explained above, I partially uphold Mr H'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'm required to ask Mr H to accept or reject my decision before 25 May 2017.

Robert Walker
Ombudsman

EXTRACT FROM PROVISIONAL DECISION

Pounds to Pocket had to gather enough information to be able to make an informed choice as to whether it was going to lend. But the guidance and rules don't set out what checks must be done before lending is approved. But Pounds to Pocket needed to conduct enough checks to make sure the loan was affordable to Mr H. And these checks needed to be proportionate to a number of things such as the size of the loan and when the loan was due to be repaid.

But even if the checks Pounds to Pocket carried out weren't proportionate, that alone doesn't mean Mr H's complaint should be upheld. I say this because, it's possible, had further checks been carried out by Pounds to Pocket they would've shown Mr H was able to repay his loans. So Pounds to Pocket wouldn't have been wrong to lend him the money.

I've also considered what Pounds to Pocket says about Mr H having other payday loans with its sister company and that it doesn't disqualify Mr H from receiving a Pounds to Pocket loan. While this may be the case, Pounds to Pocket does share a system with the sister company. So although I can't say what information it would've seen, based on what I know, I think Pounds to Pocket would be aware of how Mr H had managed his payday loans with its sister company and I've been mindful of this when reaching my conclusions.

Pounds to Pocket says that it would've conducted affordability and credit checks, but it isn't able to show me what questions, if any, were asked when approving Mr H's borrowing in 2012 and 2013. But it has been able to show me the details it recorded about Mr H's outgoings for his last instalment loan. Pounds to Pocket has explained that the credit checks may involve checking Mr H's credit score, repayment history and checking third party reports. But again I can't be sure exactly what it searched and what it saw as a result of those searches.

So Pounds to Pocket says that based on the information it gathered about Mr H, it was reasonable to lend to him. But I've thought about what Pounds to Pocket says and Mr H's circumstances at the time each loan was approved. And having done so, I don't think all the checks Pounds to Pocket carried out were proportionate for all of the borrowing.

Looking at the first loan, I think the information Mr H gave Pounds to Pocket was plausible and Pounds to Pocket was entitled to rely on it. Although the loan amount was significant compared to Mr H's income, he had a number of months to repay what he'd borrowed. And Mr H's monthly repayment was comparatively low against what he earned at the time.

Mr H had some difficulties repaying previous payday loans with Pounds to Pocket's sister company but even taking this into account, I don't consider it to be proportionate to expect Pounds to Pocket to have conducted a full review of Mr H's bank statements or ask any further questions about his other financial commitments. So based on the information that Pounds to Pocket was entitled to rely on, I think the checks it conducted for the first loan were proportionate, so it doesn't need to take any further action in relation to this loan.

Loan three was taken out on the same day as a loan with Pounds to Pocket's sister company was repaid. Pounds to Pocket says credit checks and affordability checks were conducted but it's not able to show me the results of those checks. But based on what I've seen on Mr H's credit file, he had entered into a debt management plan with another payday company. So although I can't say for sure what information Pounds to Pocket saw when it conducted the credit searches, I think it's likely that it would've picked up something to show that Mr H was struggling.

So at this time, I don't think asking for his income and doing some searches was proportionate given what Pounds to Pocket could've been aware of. But I can't say for sure what the proportionate checks would've shown. So I've used Mr H's bank statements – which may not have shown up everything Pounds to Pocket would've seen. But the bank statements are the best indication of Mr H's ability to repay the loans at the time, so I don't think it's unreasonable to rely on these.

Having looked at Mr H's bank statements I don't think the loan repayments were affordable when you take into account his normal monthly costs as well as his commitments to other short term lenders. It's clear from the statements that Mr H was borrowing a significant amount each month in order to meet help him meet his normal monthly expenditure. So I don't know how Mr H would've been able to repay what he owed Pounds to Pocket without it adversely affecting his financial position.

I don't think the checks that Pounds to Pocket conducted for Mr H's final loan were proportionate either. While I can see what information Pounds to Pocket recorded about Mr H's income and his outgoings, I don't think this would've been enough to help it assess whether the loan was affordable for Mr H. While I acknowledge this loan was for slightly less than Mr H's previous loan, I think given what I've said above about how he was managing his other accounts this should've prompted Pounds to Pocket to gain a full understanding of Mr H's financial position which may have included asking to see bank statements.

Having looked at his bank statements, Mr H's financial position hadn't improved since his third loan so I don't think he had enough disposable income to afford the monthly repayments. At this point, Mr H was still reliant on payday loans and I can see that the number of transactions to betting and gambling websites had increased. So overall Mr H couldn't have sustainably repaid what he owed. And I think that had Pounds to Pocket conducted proportionate checks it wouldn't have lent to him.