

## complaint

Mr M complains that CashEuroNet UK LLC, trading as Pounds to Pocket, gave him loans he couldn't afford to repay.

## background

Mr M took out the following instalment loans from Pounds to Pocket:

	date	£ amount borrowed	date repaid
1	6 June 2013	450	
top-up	10 April 2014	450	
top-up	31 May 2014	125	22 May 2015
2	7 July 2015	700	
top-up	20 January 2016	1,075	9 November 2016

Our adjudicator said Pounds to Pocket shouldn't have given Mr M loan 2 and its top-up and he set out what it should do to put that right. He said:

- The checks Pounds to Pocket carried out before loan one were proportionate but it should've done more before the top-ups and loan that followed.
- If Pounds to Pocket had carried out proportionate checks, it would've seen that he could afford to repay the two top-ups for loan one but that he couldn't afford to repay loan two and its top-up.

Pounds to Pocket didn't agree with the adjudicator. It said:

- Mr M could afford to repay loan two based on his normal living costs and other short-term financial commitments. His gambling history made it unaffordable.
- Mr M didn't have patterns of dependency or financial difficulty.
- There was a break between loans one and two.
- It wouldn't be able to gauge the extent of Mr M's gambling.
- Gambling is a lower priority than repayment of the loan.
- It would refund to Mr M interest on the top-up of loan two, plus interest.

Mr M didn't accept Pound to Pocket's offer, so the complaint was passed to me.

## my findings

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

Before agreeing to lend to Mr M, Pounds to Pocket had to check each time that he could afford to make the repayments. The checks it did had to be proportionate. What's proportionate depends on things like the size of the loan repayments and the information it had about Mr M. There's no set list of the checks a lender should carry out.

Before loan one, Pounds to Pocket asked Mr M about his income. It says it also did credit checks but I haven't seen the results of those checks. I think its checks were proportionate before loan one. That was the beginning of its lending relationship with Mr M and the repayments were a small proportion of Mr M's stated income.

I think Pounds to Pocket should've done more than it did before the top-ups to loan one. That's because Mr M was refinancing the loan and taking on more borrowing. I think that showed a pattern of borrowing which indicated Mr M may becoming reliant on short-term borrowing over the long term. I think before the first top-up it should've also asked Mr M about his normal monthly living costs and regular financial commitments. Before the second top up, I think Pounds to Pocket should've also asked Mr M about other short-term financial commitments. Its records don't show that it did that, so I don't think it carried out proportionate checks before the top-ups after loan one.

Before loan two and its top-up, I think Pounds to Pocket should've gone further. At that point, Mr M had been borrowing from Pounds to Pocket without a significant break for over two years. The amount he wanted to borrow had increased and was a considerable portion of his income. In those circumstances, proportionate checks are likely to have established a much fuller picture of his financial position. I think proportionate checks here would've meant that Pounds to Pocket took steps to verify the information Mr M provided about his financial situation.

As Pounds to Pocket doesn't appear to have carried out proportionate and sufficient checks, I can't say for sure what it would've found out had it done so. Mr M has provided us with evidence of his financial circumstances at the time he applied for the loans. So I've been able to get a picture of what his financial circumstances were like. Of course, I accept that this isn't perfect, as different checks show different things. And just because something shows up in the information Mr M has now provided, it doesn't mean that it would've shown up in any checks that Pounds to Pocket might've carried out. But the information Mr M has provided is the best indication I have of what his financial circumstances were at the relevant time. In the absence of anything else, I think it's reasonable to rely on it.

I've said that before the first top-up of loan one, Pounds to Pocket should've asked Mr M about his normal monthly living costs and regular financial commitments and before the second top-up, it should've also asked him about other short-term financial commitments. Based on what I've seen, I agree with the adjudicator that if Pounds to Pocket had done that it would've concluded that Mr M could afford to repay that borrowing. His disposable income was around £500, so he could afford to make the repayments, which were less than £100.

I've said that before loan two and its top-up, Pounds to Pocket should've verified what Mr M said about his finances. I think if it had done that, it would've seen that Mr M was spending considerable amounts on gambling. In those circumstances, he couldn't afford to repay further borrowing. So, I don't think it should've given Mr M loan two or its top-up.

I've noted the points Pounds to Pocket made in response to the adjudicator's view but I'm not persuaded by them. If it had carried out proportionate checks before loan two and its top-up, it would've discovered Mr M's gambling. It's irrelevant that Mr M could've afforded the repayments if he didn't gamble, as he plainly did. Given the level of his spending on gambling, it was clear that the repayment of further debt wasn't sustainable.

I don't agree that the short gap between Mr M's repayments of loan one and taking out loan two is such that it breaks the chain of borrowing. Nor do I agree that there wasn't a pattern of dependency here. Mr M refinanced loans rather than repay them and was borrowing from Pounds to Pocket for almost of three and a half years.

Considering everything, I don't think Pounds to Pocket has shown its checks for the top-ups for loan one or loan two and its top-up were sufficient or proportionate. If it had carried out proportionate checks, I think it would've seen that loan two and its top-up were unaffordable. On balance, I don't think it should've given Mr M loan two or its top up.

Overall, I think the adjudicator's proposed resolution of this complaint is fair and reasonable. I agree with the adjudicator's conclusions and don't see any compelling reason to change the proposed outcome in this case.

### **my final decision**

I uphold this complaint. To put things right I require CashEuroNet UK LLC, trading as Pounds to Pocket:

1. To refund to Mr M all interest and charges he's paid on loan two and its top-up plus pay simple interest at the rate of 8% a year\*, from the date each sum was paid until the date of settlement;
2. To remove any negative information about loan two and its top-up from Mr M's credit file.

\* HM Revenue & Customs requires CashEuroNet UK LLC, trading as Pounds to Pocket to take off tax from this interest. It must give Mr M a certificate showing how much tax it's taken off, if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 March 2018.

Louise Povey  
**ombudsman**