

complaint

Mr M complains about the loans he took out with Casheuronet UK LLC trading as Pounds to Pocket.

background

Mr M took out two instalment loans with Pounds to Pocket from November 2013 to August 2015. Loan 1 was refinanced three times. I've called these refinanced loans 1a, 1b and 1c. Mr M entered into a new loan agreement each time he refinanced his loans so I've looked at these as separate lending points. Some of the information Pounds to Pocket has given is in the table below:

loan number	date taken	amount borrowed	Term (days)	monthly repayments	end date
1	11/11/2013	£200	354	30.82	
1a	04/12/2013	£937.12	359	148.25	
1b	04/04/2014	£949.33	357	150.06	
1c	25/04/2014	£948.46	364	155.24	12/02/2015
2	02/08/2015	£350	180	96.43	29/09/2015

Loan one (including the refinances) was scheduled be repaid over 12 months. Loan 2 was scheduled to be repaid over six months. Mr M incurred one late fee in June 2014.

He says that he took these loans at a vulnerable time in his life. His financial situation was poor and he doesn't feel that Pounds to Pocket looked into this well enough. He feels that if Pounds to Pocket had made better checks it wouldn't have lent to him.

Pounds to Pocket has looked at Mr M's complaint and has not upheld it. It thought that due to the low repayments, the checks it made were proportionate. It thought that all of the lending was affordable for Mr M.

Our adjudicator thought that Mr M's complaint should be partially upheld. She thought that Pounds to Pocket had made proportionate checks at the start of loan 1 and loan 2. So she thought that Pounds to Pocket's decisions to lend were reasonable for these loans.

She didn't think that Pounds to Pocket had made proportionate checks for loans 1a, 1b and 1c. She thought if it had then it would've approved loan 1a. This was because it would've seemed that Mr M could afford the repayments.

But it wouldn't have approved loans 1b and 1c. This is because she didn't think that Mr M could afford the repayments in a sustainable manner. And this would've been apparent to Pounds to Pocket if it had completed better checks.

Mr M agreed with the adjudicator's findings.

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

- Mr M may have had some money remaining after meeting his commitments. So it's not reasonable to say he didn't have enough for unforeseen circumstances.

- It was not unreasonable to lend to Mr M even after he had made a late payment on an earlier loan.
- Our adjudicator mentioned that Mr M spent money on gambling. Mr M didn't tell Pounds to Pocket that he was gambling. But Pounds to Pocket said it was his responsibility to use his income in this way and so the loans shouldn't be considered unaffordable because of this.

As no agreement's been reached the complaint's been 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. Having done so, I've decided to partially uphold Mr M's complaint. I'll explain why.

Mr M accepted the adjudicator's opinion not to uphold the first part of loan 1, the first refinance to loan 1 (loan 1a) and loan 2. There is now no disagreement about this lending. So I won't be making a decision about whether Pounds to Pocket did something wrong in respect of those loans. But they were part of the borrowing relationship Mr M had with Pounds to Pocket. So they are something I will take into account when considering the other loans he took.

Pounds to Pocket was required to lend responsibly. To do this it needed to make checks to see whether Mr M could afford to pay back each loan before it lent to him. There's no set list of what a lender should do to check affordability. But the checks should be proportionate to things like the size of the loan, the repayments, what the lender knows about the consumer and what the consumer tells the lender about their circumstances.

So I've firstly looked at whether Pounds to Pocket performed proportionate checks. If I think that the checks were proportionate then it usually would've been reasonable for it to lend. But if Pounds to Pocket didn't do proportionate checks I've looked at whether it would've been apparent that the loan repayments were affordable had it done better checks Pounds to Pocket should put things right if it's likely to have then found that the loan repayments were unaffordable

Pounds to Pocket says that the checks it made were proportionate. It recorded Mr M's monthly income as being £1,300 before the first series of loans and £1,500 before the second loan. It recorded his monthly outgoings as £325 before the second loan. It said it requested a number of reports from credit agencies and calculated from these whether the loans were affordable each time it lent. It's shown us the results from the latest credit checks it did in April 2013.

Loan 1b was Mr M's third new contract, for an instalment loan, in just under six months. And he refinanced again for loan 1c around three weeks later. He borrowed around £950 each time he did this.

So I think I think Pounds to Pocket could've realised at that time that Mr M may be becoming dependent on short term lending rather than just using the loans to help with any temporary cash flow problems he may've been having.

So to do a proportionate check for loan 1b I think Pounds to Pocket should've found out what Mr M's disposable income was before lending. It should've looked at things like his income against his normal living costs and regular outgoings. It should've included his regular financial commitments and any other short term lending he may've had.

And Mr M started loan 1c only 3 weeks after starting loan 1b. So Pounds to Pocket should've now become concerned about whether it knew enough about Mr M's true financial situation. So it should've made a full review of his finances before approving loan 1c

I don't think Pounds to Pocket did these checks. The information it's provided shows that it did a credit check before lending and it says would've asked Mr M to confirm his income. But I can't see that it looked at his outgoings at all. And it didn't fully review his finances. So I don't think Pounds to Pocket did proportionate checks for loans 1b and 1c.

So I've looked at the information provided by Pounds to Pocket and Mr M about his financial circumstances. This includes what Mr M has said and his bank statements. And what the business recorded about him at the time.

Pounds to Pocket recorded Mr M's income as being £1,300 for each of these two refinanced loans. Looking at his bank account statement I can see that his earnings were just over this on average but he did earn around £1,750 in the month before he took these loans. As the adjudicator said, and I agree, Mr M's regular expenditure was just over £600. Mr M has also said he was paying £240 for car finance.

But Mr M was also using other short term lenders. I can see that he repaid just over £500 to short term lenders in the month before he took these loans. And I can see that Mr M borrowed around £400 from other short term loan providers before loan 1b and what looks to be over £1,500 in the time between 1b and 1c.

So a proportionate check for loan 1b, using the income Mr M declared and his expenditure above, would've shown that he had a disposable income of around £60. The Pounds to Pocket loan repayment is higher than this. So I don't think that Mr M could afford the repayments for loan 1b.

And before loan 1c Pounds to Pocket should've made a full review of his finances. If it had done this it would've seen that his income was higher as I mentioned earlier. But it also would've seen that that his outstanding short term lending commitments would mean that his expenditure was likely to be higher than his income in the coming months.

It would also have likely discovered that Mr M had spent a significant amount on gambling in the recent past. Mr M spent over £2,300 in the month before these two loans. And Mr M has said he spent similar amounts during all of the time he borrowed from Pounds to Pocket.

Pounds to Pocket has said that I shouldn't consider Mr M's expenditure on gambling as it was 'non-essential'. And I think the loans were unaffordable without thinking about this due to Mr M's expenditure being higher than his income.

It's not for me to say whether Mr M should, or shouldn't, have been spending his money in this way. Although Mr M has been quite clear about the negative effect gambling had on his financial situation and his life. But this aspect of his expenditure was important. Spending his money in this way, and for these amounts, would mean that Mr M would struggle to meet his ordinary bills and repay any debts without borrowing further. This means that Mr M wouldn't be able to sustainably repay his lending. So I think it's right to take this into account, given Mr M's circumstances.

With all the above in mind I don't think Mr M could afford to repay loans 1b and 1c. It's reasonable to say that Mr M's expenditure was, very close to, or greater than his income for these loans. I think if Pounds to Pocket had carried out proportionate checks it would've seen all of this. And I don't think Pounds to Pocket would've lent to him.

Mr M did incur a late fee but this was after he started loan 1c. So I don't need to consider this as part of my decision.

putting things right

Pounds to Pocket shouldn't have lent to Mr M in April 2014. So for loans 1b and 1c, in my table above, Pounds to Pocket should:

- refund any interest and charges applied to those loans.
- 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*.
- remove any adverse information recorded on Mr M's credit file in relation to those loans.

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

my final decision

For the reasons I've explained, I partly uphold Mr M'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 Mr M to accept or reject my decision before 18 July 2018.

Andy Burlinson
ombudsman