

## **complaint**

Mr M has complained about an instalment loan he took out with Euronetcash LLC (trading as "Onstride" Financial) in 2015. Amongst other things, he's said that Onstride gave him his loan without the proper and full checks being made.

## **background**

Mr M took an instalment loan with Onstride in January 2015. The loan was for £1,000 and was due to be repaid over twelve instalments of around £72. Mr M wasn't able to repay the loan and I understand that an outstanding balance remains on it.

One of our adjudicators looked at what Onstride and Mr M said. She thought the checks Onstride carried out before agreeing to Mr M's loan weren't proportionate. She also thought that proportionate checks would most likely have shown Onstride that it shouldn't have lent to Mr M. So our adjudicator thought that Mr M's complaint should be upheld. Onstride disagreed with our adjudicator. So the complaint has been passed to me for a final 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 loan was offered.

Having carefully thought about everything I've been provided with, I'm upholding Mr M's complaint. I'd like to explain why in a little more detail.

When lending money to a consumer a lender should take proportionate steps to ensure a consumer will be able to repay what they're borrowing in a sustainable manner without it adversely impacting on their financial situation. A lender should gather enough information so that it can make an informed decision on the lending.

The guidance and rules don't set out compulsory checks but they do list a number of things a lender might wish to take into account before agreeing to lend. But any checks need to be proportionate and should take into account a number of things, including things such as how much is being lent and when what's being borrowed is due to be repaid.

Onstride gave Mr M an instalment loan. As a result, the checks Onstride carried out had to provide enough for it to be able to work out whether Mr M could afford to repay the instalments as and when they became due. Onstride says it carried out a number of credit and affordability checks before it decided to lend to Mr M. It says that it carried out a credit check and its decision to lend was based on this and the income information provided by Mr M. As far as Onstride is concerned the loan was affordable based on everything it had.

I've carefully thought about what Onstride has said. But it isn't enough just to carry out checks. A lender also needs to react to any information it received. And, in this case, I'm mindful that Mr M was either asked for, or he decided to upload, a copy of his most recent bank statement. The bank statement Mr M uploaded showed that most of the income he'd declared was going towards repaying short-term lenders. And the remainder was being used on gambling.

Onstride says gambling and having existing short-term credit commitments didn't make Mr M ineligible for his loan. This may well have been the case. But, in this case, the proportion of

Mr M's income going towards gambling and existing short-term credit commitments, leads me to think that Onstride ought reasonably to have seen that Mr M was simply unable to take on any further borrowing.

I say this as the information on Mr M's bank statement shows he was unlikely to be able to sustain the payments to this loan as and when they fell due, even though these payments were relatively small. So given the circumstances of this case, I think Onstride failed to react proportionately to the information it was provided with. And this led to it providing Mr M with an unaffordable loan. As Mr M ended up paying interest and charges on an unaffordable loan he shouldn't have been given, I think that he lost out because of what Onstride did wrong. So Onstride should put things right.

### **what Onstride should do to put things right**

To put things right for Mr M, Onstride should:

- refund all the interest and charges on Mr M's loan; and
- add interest at 8% per year simple on the above interest and charges from the date they were paid to the date of settlement†;
- remove any adverse information recorded on Mr M's credit file.

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

I understand that an outstanding balance remains on Mr M's loan. Onstride can deduct this outstanding balance from what it now needs to pay Mr M.

### **my final decision**

For the reasons given above, I'm upholding Mr M's complaint. Euronetcash LLC (trading as Onstride Financial) should pay Mr M compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 September 2018.

Jeshen Narayanan  
**ombudsman**