

## **complaint**

Mr B complains that CashEuroNet UK LLC (trading as Pounds to Pocket) gave him a loan that he couldn't afford.

## **background**

Mr B took out a loan for £700 with Pounds to Pocket in November 2012. The loan was due to be repaid by 12 monthly instalments of £102.35 each.

Mr B says he was trapped in a cycle of borrowing, and was gambling heavily to pay his debts. He believes that Pounds to Pocket should have been aware of his situation from its checks.

Our adjudicator didn't recommend that the complaint should be upheld. In summary, she accepted that Pounds to Pocket should have asked Mr B more questions about his regular living costs and his short- and long-term credit commitments at the time. But even if it had done so, she thought that it would have concluded that Mr B had enough disposable income to make the repayments on the loan.

Mr B disagreed with the adjudicator's view, so the complaint has been passed to me.

## *my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Mr B and to Pounds to Pocket on 10 November 2017. I summarise my findings:

- Pounds to Pocket was required to lend responsibly. It needed to make checks to see whether Mr B could afford to pay back the loan before it lent to him. Those checks needed to be proportionate to things such as the amount Mr B was borrowing, the length of the agreement and his borrowing history. But there was no set list of checks Pounds to Pocket had to do.
- Before agreeing to lend, Pounds to Pocket asked Mr B for details of his monthly income. Mr B told it his take-home pay was £980. Pounds to Pocket also says it carried out a credit check, but it hasn't been able to provide the results of that.
- Pounds to Pocket was entitled to rely on the information Mr B gave it about his earnings, in the absence of anything to suggest that it might not be accurate. Mr B told Pounds to Pocket his monthly take-home pay was £980.
- The monthly repayments were a relatively low proportion of his declared take-home pay. But Mr B had taken a couple of loans with Pounds to Pocket's sister company earlier in the year. And he'd only just finished repaying one of them. I'd have expected Pounds to Pocket to be aware of those loans. Taking everything into account, I thought that Pounds to Pocket should have asked Mr B for details of his regular monthly outgoings and regular credit commitments before agreeing to lend. I couldn't see that it did, so I didn't think the checks it did were proportionate.
- But taking into account the size of the loan repayments and Mr B's borrowing history, I didn't think it was irresponsible not to ask him specifically about any other short-term loans he had outstanding. My view was different from the adjudicator's in that respect.

- I'd looked at Mr B's bank statements, and what he's told us about his financial situation, to see what it's likely that better checks would have shown Pounds to Pocket. Mr B says he was living at home with his parents at the time. He says his regular monthly living expenses varied, but didn't exceed £300. I could see that he had a couple of credit card accounts. But after making his regular monthly payments on those, in addition to his regular monthly expenses, Mr B would have been left with enough money to make the monthly repayments on the loan.
- I could see that Mr B was taking fairly frequent short-term loans from a range of lenders – and he had a couple of other short-term loans outstanding at the time with other lenders. The repayment due on one of those alone would have taken more than half of Mr B's declared monthly take-home pay. So I acknowledged that if Pounds to Pocket had known about that, it ought to have realised that the loan was, in fact, unaffordable for him. But as I'd said, I wouldn't have expected Pounds to Pocket to ask about those at this stage.
- This means that even if Pounds to Pocket had looked into Mr B's financial situation in as much detail as I thought it should have done, I wouldn't have expected it to know about Mr B's other short-term loans. So I wasn't convinced that I could fairly say that they should have made it decide not to lend, even if it had carried out better checks.
- I acknowledged that Mr B believes that Pounds to Pocket should have taken his gambling habit into account. But while I could see that he was spending a significant amount on gambling at the time, I wouldn't have expected Pounds to Pocket to be aware of it. It would only have known about the situation if it had looked at Mr B's bank statements, or if Mr B had told it about the situation. And taking into account Mr B's borrowing history and the size of the repayments, I didn't think that Pounds to Pocket needed to carry out a full review of Mr B's financial situation in order to carry out proportionate checks. So in this case, I didn't think it was wrong of it not to look at his bank statements.
- I was sorry to disappoint Mr B. I didn't underestimate the difficulties he found himself in. But taking everything into account, I wasn't convinced that Pounds to Pocket was irresponsible to lend to him.

#### *further submissions*

Pounds to Pocket accepts my provisional decision. But Mr B made some further comments that he wished me to consider.

Mr B said that before he took the loan with Pounds to Pocket, he'd defaulted on a loan with its sister company. After I asked him for details of the loan, he realised that he'd actually taken the loan with Pounds to Pocket's sister company around a month after he took the loan with Pounds to Pocket. But he says that since he'd borrowed repeatedly from Pounds to Pocket's sister company, he'd have thought that Pounds to Pocket would have checked his expenditure more carefully. And he believes that if it had done so, it would have seen that he was becoming reliant on payday loans.

Mr B says he's unsure as to how he managed to get loans from Pounds to Pocket and its sister company in the space of a month. It wasn't long after that before he was needing payday loans to cover other loans. And he became stuck in a cycle.

## **my findings**

I've considered all the available evidence and arguments, including the further points that Mr B has made to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not convinced that there's any reason to depart from the findings in my provisional decision.

As Mr B has said, he took out the loan he referred to with Pounds to Pocket's sister company around a month after he took the loan with Pounds to Pocket. So I'm satisfied that Pounds to Pocket couldn't have known about it when it was making its decision about whether or not to lend to Mr B. And since this complaint is about Pounds to Pocket, I can't consider here whether Pounds to Pocket's sister company was wrong to make the later loan.

It's true that Mr B had taken a couple of loans with Pounds to Pocket's sister company *before* he applied for the loan with Pounds to Pocket. And I acknowledged that in my provisional findings. It was because of that - and in particular the fact that he'd only just finished repaying one of the loans from the sister company - that I thought that Pounds to Pocket should have asked Mr B for details of his regular monthly outgoings and regular credit commitments before agreeing to lend.

But my view remains that I think the loan would have appeared affordable to Pounds to Pocket even if it had asked Mr B about his regular financial commitments. This is because it would have looked as if he'd have enough money left over to make the repayments on the loan.

I can see why Mr B says he became stuck in a cycle of borrowing. It's true that he was borrowing from a few other short-term lenders at the time. And I accept that if Pounds to Pocket had known about the other loans, it should have been clear Mr B couldn't afford to take on another loan. But taking into account the size of the loan Mr B requested, and his borrowing history, I don't think it was unreasonable of Pounds to Pocket not to ask specifically for details of any other short-term loans that Mr B had. So I think it was reasonable that it didn't know about them.

I know that my final decision will come as a disappointment to Mr B. But I've thought carefully about the further points he's made. And taking everything into account, my view remains that I don't think that Pounds to Pocket would have found out about Mr B's other short-term loans even if it had carried out proportionate checks. So I don't think he's lost out as a result of anything it did wrong.

## **my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 January 2018.

Juliet Collins  
**ombudsman**