

complaint

Miss H says CashEuroNet UK LLC, trading as Pounds to Pocket, lent to her irresponsibly.

background

Miss H borrowed one instalment loan from Pounds to Pocket in April 2011. The loan amount was £1,050 and it was due to be repaid in 12 monthly instalments of about £160.

One of our adjudicators considered the complaint and didn't recommend it be upheld. He didn't think Pounds to Pocket had lent to Miss H irresponsibly. Miss H didn't agree with the adjudicator, so the complaint was passed to me to decide.

To be clear, what follows is solely my decision on Miss H's complaint about irresponsible lending. It doesn't address any of the service issues Miss H previously raised with the business as those have been dealt with as a separate case.

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 taken into account the law, good industry practice and any relevant regulations at the time.

At the time Miss H asked for her loan Pounds to Pocket was regulated by the Office of Fair Trading (OFT). The OFT had published guidance for lenders about irresponsible lending (the ILG). In simple terms Pounds to Pocket needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss H could repay her loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

I've seen that before lending to Miss H, Pounds to Pocket obtained some information about her circumstances. It seems that Miss H told it she was employed, paid weekly and lived in rented accommodation. But there's no evidence Pounds to Pocket obtained any information about Miss H's income and expenditure. It does seem to have carried out a credit check but I haven't seen the results of this.

Overall, I don't think that Pounds to Pocket's checks for this loan were proportionate. Miss H was making a long-term commitment to repay credit for about a year and so I would expect to see some analysis of Miss H's income and expenditure. I haven't seen that Pounds to Pocket did this – but that doesn't automatically mean the complaint should be upheld.

I say this because I also need to think about what Pounds to Pocket would've seen if it had carried out proportionate checks.

Miss H says her income at the time was £800 a month. On that basis, I don't think monthly loan repayments of £160 look inherently unsustainable. And had Pounds to Pocket asked Miss H some questions about her regular monthly expenditure (such as her housing costs and other regular bills) I don't think it would've found the loan to be unaffordable. I don't

think, for example, that in making an application for credit, Miss H would've provided information about her expenditure which would've suggested the loan wasn't affordable.

It's possible that more thorough checks, such as checking bank statements, before lending might've revealed the loan was not affordable for Miss H. But this was Miss H's first loan with Pounds to Pocket and I've no reason to believe it was aware Miss H was in financial difficulty before it lent to her. So I think it would be disproportionate to suggest Pounds to Pocket should've carried out checks like this.

I've considered the points Miss H has raised about having a disability. I've not seen that Pounds to Pocket was aware of this before lending to Miss H (although it did become aware at a later date). So Pounds to Pocket couldn't have taken this into account when it made its decision to lend to Miss H.

I understand this this will be disappointing for Miss H but I am unable to uphold her complaint.

my final decision

I do not uphold Miss H's complaint against CashEuroNet UK LLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 13 September 2019.

Matthew Bradford
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