complaint

Mr P complains CashEuroNet UK LLC (trading as Pounds to Pocket) gave him unaffordable loans.

background

The background to this complaint, and my initial sets of findings on it, can be found in my provisional decisions which are attached to and form part of this final decision.

Both Mr P and Pounds to Pocket had further comments after my second provisional decision.

Mr P noted that shortly before applying for loan 2 he'd borrowed significant amounts of money from two other specialist lenders, and he was paying off debts to individuals as well. Additionally, he said he had an active loan with a payday lender. He said given this set of circumstances, Pounds to Pocket shouldn't have agreed loan 2.

Pounds to Pocket, on the other hand, said it disagreed with the position I'd taken regarding the deposits Mr P had received from individuals in November and December 2012. It said it hadn't seen any information indicating when these loans were to be repaid or even *if* they were to be repaid. In other words, Pounds to Pocket suggested these amounts could be gifts of money rather than loans. Pounds to Pocket said it was possible the deposits could've been repayment for some of the various transactions Mr P was making to assist family members overseas.

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, any relevant regulatory rules and good industry practice at the time.

Having thought about Mr P's additional submissions, I feel these are things which I've already considered in my provisional decisions. I had factored in Mr P's prospective repayments to other lenders (including individuals) when assessing whether a responsible lender would've thought loan 2 was sustainable. It's worth mentioning that in the months leading up to Mr P applying for loan 2, he was not sending as much money abroad and this helped to make the loan appear more affordable. In any case, my conclusion remains that the loan would have appeared sustainable.

I've given Pounds to Pocket's arguments some careful thought. I have seen evidence that Mr P was receiving money from and repaying debts to various individuals at different times through his lending history with Pounds to Pocket and QuickQuid. So I don't doubt that Mr P had to pay back the amounts of £300 and £2,000 that he received in November and December 2012 respectively. I do acknowledge however, that these arrangements were likely to be more flexible than loans from a typical lender.

I think the first key question is whether the deposits Mr P received could be considered as regular income. A responsible lender which had carried out proportionate checks would want to determine Mr P's likely regular income and expenditure on an ongoing basis. After all, Mr P was expected to make monthly repayments for a period of around a year.

I think it's clear enough that the loans Mr P received from individuals cannot be considered regular income. These were not payments he was receiving every month. However, given the flexible arrangements around repayment I can appreciate there are circumstances where a lender would want to take them into consideration.

This leads me to the second question – which is whether or not the funds remained available over a longer term for Mr P to meet his commitments to Pounds to Pocket. If the funds had simply been put to one side, and drawn upon as needed to meet expenses over a longer period of time, then I think it would be fair to treat them in a similar way to savings. Indeed, the amount of £2,000 Mr P received could have sustained his Pounds to Pocket loan repayments for 11 months had it been put to one side.

However, Mr P used the funds immediately to meet one of his regular commitments at that time – payments to his family abroad. So they did not remain available to help him make his repayments to Pounds to Pocket.

In light of the above I don't think it would be reasonable to treat the loans Mr P received from individuals as being in some way "available", and I think the fairest thing to do is to exclude them from a calculation of Mr P's income.

I've also considered whether – because Mr P used the £2,000 loan to make his international payments in December 2012 – these payments should *also* be excluded from his expenditure for that month. I don't think this would be the right approach. Mr P's payments abroad were a part of his *regular* expenditure, so a responsible lender would want to consider these on an ongoing basis as they were likely to continue into the foreseeable future.

Bearing all of the above in mind, my decision is unchanged from my second provisional decision.

Pounds to Pocket failed to carry out proportionate checks when it agreed to lend or refinance any of the loans it made to Mr P. Had it done so, it would've discovered Mr P would be unlikely to be able to afford his repayments towards the first loan in a sustainable way. So I don't think it would've lend to Mr P had it enquired properly into his financial situation. However, I don't think proportionate checks would've changed Pounds to Pocket's decision to lend the second loan (either as initially agreed, or as refinanced) to Mr P. This is because it would've appeared that Mr P could afford to make the repayments from his available income.

putting things right

As Pounds to Pocket shouldn't have agreed the first loan, it's not right that Mr P should have to pay interest or charges on this. So I direct Pounds to Pocket to:

1. Calculate the total amount in interest and charges Mr P paid on the first loan from Pounds to Pocket. To the individual amounts Mr P paid, Pounds to Pocket must add 8% simple interest*, calculated from the date Mr P made the payments to the date the complaint is settled. Pounds to Pocket must pay the resulting total to Mr P.

2. Remove any adverse information recorded on Mr P's credit file in relation to the first loan.

*HM Revenue & Customs requires Pounds to Pocket to deduct tax from this interest. Pounds to Pocket must give Mr P a certificate showing how much tax it's deducted, if Mr P asks for one.

my final decision

For the reasons explained above and in my provisional decisions attached below, I uphold Mr P's complaint and direct CashEuronet UK LLC (trading as Pounds to Pocket) to provide the redress outlined in the "putting things right" section of this final decision. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 13 November 2017.

Will Culley
ombudsman

COPY OF SECOND PROVISIONAL DECISION

complaint

Mr P complains CashEuroNet UK LLC (trading as Pounds to Pocket) granted him unaffordable loans.

background

The background to this complaint, and my provisional findings on it, can be found in my first provisional decision which is attached to and forms a part of this second provisional decision.

Pounds to Pocket contacted us to say it agreed with my provisional decision. Mr P has said he wants me to consider some additional submissions before I make my final decision. Mr P's submissions relate primarily to loan 1 and 1A, and loan 2.

As a result of Mr P's submissions, I'm minded to change my findings slightly, for reasons I'll explain below. Both Mr P and Pounds to Pocket will have until 6 October 2017 to add any additional comments or evidence before I review the case once again.

my revised provisional 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, any relevant regulatory rules and good industry practice at the time.

I thank Mr P for his detailed submissions about his financial circumstances around the time he made his loan and refinance applications. I've looked at these submissions carefully. Mr P has said his disposable income was less than I'd found, and he's offered an alternative analysis of his expenditure in the relevant months.

loan 1

Having considered Mr P's analysis of his expenditure prior to his initial loan application, it seems the one of the main differences between it and my own analysis is that Mr P has included air travel costing approximately £1,525. He's explained this was for unexpected emergency travel to visit his family.

I consider a responsible lender would've seen the air travel as a one-off expense and not a regular commitment which would affect Mr P's ability to make the expected monthly repayments of £179.91. This is the reason why I didn't include it in my own calculations.

Mr P has also referred to loans with other short term lenders. I had taken into account Mr P's borrowing with other lenders. I felt the fairest way to represent the impact this would have on Mr P's ability to make his repayments to Pounds to Pocket, was to consider whether – at the time of his applications – Mr P had short term credit outstanding which he would need to repay during the term of his Pounds to Pocket loan.

At the time Mr P applied for his first Pounds to Pocket loan, he did have a loan with another short term lender, which he was repaying at a rate of about £174 per month. Mr P had recently had large amounts of debt (around £1,300) with a different payday lender, but this was not outstanding at the time he applied to Pounds to Pocket. So I don't think this affected the affordability of his Pounds to Pocket loan.

However, Mr P has also clarified that the transactions into his account in November and December 2012 (£300 and £2,000 respectively) from individuals were loans. The larger of these two amounts was used immediately to meet Mr P's regular payments to his family abroad, so it wasn't available to help make the repayments towards the Pounds to Pocket loan. These loans were also not regular sources of income (in much the same way the air travel was not a regular source of expenditure), so I don't think a responsible lender would have considered them as such when calculating Mr P's ability to repay an instalment loan over 12 months.

When Mr P's financial situation is adjusted to take this into account then loan 1 appears to be unaffordable from the outset, as his available income (an average taken over a three month period) to spend on essentials and repaying Pounds to Pocket was reduced to a little over £100 per month. So it seems Mr P could've got into difficulty making his repayments quite quickly. He'd have to rely on other borrowing in order to make his repayments, which isn't a sustainable way of repaying credit.

Because of these changes to my analysis of Mr P's financial circumstances, I'm now of the view that loan 1 was unaffordable from the beginning and that Pounds to Pocket wouldn't have agreed to lend this money, had it carried out proportionate checks into Mr P's ability to repay it. As the base loan was unaffordable it follows that I conclude the refinanced loans 1A, 1B and 1C were also unaffordable.

loan 2

Mr P has provided some more information about his financial situation at the time he took out loan 2. I've reviewed this alongside the information already on file. The majority of the points Mr P has made are things I'd already considered when calculating how much of his income he'd have had available to pay back Pounds to Pocket.

Ultimately my conclusions regarding this loan remain the same – I think it would've appeared to Pounds to Pocket that Mr P had enough money after meeting his regular financial commitments, to make his repayments.

revised summary of findings

Pounds to Pocket failed to carry out proportionate checks when it agreed to lend or refinance either of the loans it agreed for Mr P.

Had Pounds to Pocket carried out proportionate checks, it would've discovered Mr P would be unlikely to be able to afford his repayments towards the first loan in a sustainable way. So I don't think it would've lent to Mr P had it enquired properly into his financial situation. However, I don't think proportionate checks would've changed Pounds to Pocket's decision to lend the second loan (either as initially agreed, or as refinanced) to Mr P. This is because it would've appeared that Mr P could afford to make the repayments from his available income.

putting things right

As Pounds to Pocket shouldn't have agreed the first loan, it's not right that Mr P should have to pay interest or charges in relation to this. So I now intend to direct Pounds to Pocket to do the following:

1. Calculate the total amount in interest and charges Mr P paid on the first loan from Pounds to Pocket. To the individual amounts Mr P paid, Pounds to Pocket must add 8% simple interest*, calculated from the date Mr P made the payments to the date the complaint is settled.

2. Remove any adverse information recorded on Mr P's credit file in relation to the first loan.

*HM Revenue & Customs requires Pounds to Pocket to deduct tax from this interest. Pounds to Pocket must give Mr P a certificate showing how much tax it's deducted, if Mr P asks for one.

my second provisional decision

For the reasons explained above and in my attached provisional decision, I intend to uphold Mr P's complaint in part and direct CashEuroNet UK LLC to provide the redress outlined in the "putting things right" section of this second provisional decision. I now invite both parties to the complaint to provide any further comments, by 6 October 2017.

Will Culley
ombudsman

COPY OF FIRST PROVISIONAL DECISION

complaint

Mr P complains CashEuroNet UK LLC (trading as Pounds to Pocket) granted him unaffordable loans.

background

Mr P took out a number of loans with CashEuroNet UK LLC trading under the brands "Pounds to Pocket" and "QuickQuid" between October 2011 and February 2017. This complaint is about two Pounds to Pocket instalment loans Mr P was granted in January 2013 and October 2014 respectively. This kind of loan was designed to be paid off within 12 months. However both of Mr P's loans were refinanced with additional borrowing during their terms, and it took him more than 12 months to pay off his first loan as a result.

I've included some of the information we've received about these loans in the table below. Where there's a letter next to the loan number, this indicates when Mr P added extra borrowing. The "highest repayment" is the largest instalment payment Mr P would have to make under each loan or after each refinancing.

Loan #	Date	Date repaid	Amount	Highest Repayment
1	21/01/2013	17/06/2014	£1,150.00	£179.91
1A	20/06/2013	17/06/2014	£315.00	£180.48
1B	20/09/2013	17/06/2014	£160.00	£209.95
1C	22/11/2013	17/06/2014	£160.00	£244.44
2	20/10/2014	25/09/2015	£1,150.00	£180.76
2A	21/08/2015	25/09/2015	£1,025.00	£209.47

Mr P was able to pay back his loans, but he later complained that Pounds to Pocket hadn't properly assessed whether he could afford them, and that he'd been stuck in a cycle of short term loan debt.

Pounds to Pocket disagreed, so Mr P referred his case to this service for an independent assessment. One of our adjudicators investigated and came to the conclusion that Pounds to Pocket hadn't carried out enough of an assessment into Mr P's ability to repay the loans and that – had it carried out a proper assessment – it would have discovered the loans weren't affordable.

Pounds to Pocket didn't agree with our adjudicator that either of the loans were unaffordable. It explained that its own analysis was that Mr P had enough disposable income to make his repayments. Ultimately, no agreement could be reached so the case has been passed to me to decide.

my provisional 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, any relevant regulatory rules and good industry practice at the time.

Pounds to Pocket needed to assess Mr P's applications for his loans, to check if he'd be able to make his repayments without undue difficulty. It had to do this in a way which was proportionate to the circumstances. Pounds to Pocket then needed to use the information it had gathered during its proportionate checks to assess whether Mr P would be able to make his repayments in a sustainable way. At the time Mr P applied for his loans, the relevant regulators described repayments as sustainable if they were made from income or savings. Not, for example, if they were made from further borrowing.

what checks did Pounds to Pocket carry out, and were these proportionate?

Pounds to Pocket carried out a search of Mr P’s credit file when he applied for each loan. It also checked his credit file when he refinanced his second loan, but not the first. It’s also said it asked Mr P to declare his monthly income and, for the second loan, his monthly expenditure as well.

I don’t think these checks were proportionate to the circumstances. I say this because Pounds to Pocket would’ve been aware that Mr P had taken three loans already with QuickQuid (the two brands shared information) and should’ve taken these into account. For one of these loans Mr P had been unable to make his repayments in accordance with the schedule he initially agreed – taking five months to repay what was meant to be a 14 day loan.

So even though Mr P had declared a large income, his previous payment difficulties should’ve alerted Pounds to Pocket to a need make a more robust assessment of his ability to make sustainable repayments over the relatively long period the loan was scheduled for. This should have involved getting as full a picture as possible of Mr P’s current financial situation.

The second loan was Mr P’s eighth in total from CashEuroNet UK LLC, and Mr P had deferred repayment on at least two recent loans from QuickQuid, so I think Pound to Pocket should have continued to base any assessment of affordability on a full picture of Mr P’s circumstances.

what would proportionate checks have shown for loan 1?

At the time he applied for loan 1, Mr P’s average income over the past three months had been about £3,560 per month. He also received a net contribution from his wife of about £150 per month on average, and in November and December 2012 he’d received a total of £2,300 from other individuals. It’s not clear to me if these were amounts Mr P was expected to pay back.

In terms of expenditure, Mr P had the usual financial commitments which come with renting a property. He paid £750 in rent, and he had energy, water, council tax and communications bills. In addition to this, he had car-related expenses including finance and insurance, along with other consumer credit debt. These regular payments came to around £1,600 per month. But Mr P was also sending significant amounts of money to his family abroad. He’s explained that this was usually for medical bills but also general financial support. In the three months prior to his application for the first loan, Mr P sent an average of £1,975 per month to his family. Mr P was also paying £174 per month to another short term lender.

Had Pounds to Pocket considered these figures it would’ve noted Mr P had around £730 left over to meet essential living expenditure (for example, food) and the repayments of approximately £179 per month for his loan. I don’t think Pounds to Pocket would’ve considered Mr P might struggle to meet these repayments sustainably, so I don’t think it was wrong of it to grant this loan.

When Mr P first added new borrowing to this loan his financial situation had not changed much. By my calculations he had around £830 available from his income to meet his new monthly loan repayment of approximately £180, along with essential expenditure. In light of this information I don’t think Pounds to Pocket was wrong to allow the new borrowing.

My view is different regarding the second decision to add new borrowing. At this time, Mr P had an outstanding loan of £1,500 (not including interest) to QuickQuid. Mr P was expected to make a repayment of £1,809.75 towards this loan on 17 October 2013. When this is considered alongside Mr P’s other financial commitments, adding further borrowing to the Pounds to Pocket loan does not appear to me to be a responsible lending decision. I don’t think this extra borrowing should have been agreed. My view is the same regarding the last amount of additional borrowing (agreed in November 2013) as Mr P had not paid off the QuickQuid loan mentioned above on time and still had this to pay imminently.

what would proportionate checks have shown for loan 2?

Mr P applied for loan 2 in October 2014. His financial situation had changed somewhat, so it's worth going through this in a little more detail.

Mr P's salary had increased to around £4,500 per month and he was making a net contribution to his wife of about £335 per month. His expenditure on rent, bills and his other credit commitments came to around £2,200 per month. He was sending about £560 to his family abroad. As far as I've been able to determine, he didn't have any short term debts he had to pay imminently. So had Pounds to Pocket fully assessed Mr P's financial situation at the time he would've appeared to have had around £1,400 available per month to cover his loan repayments (of about £180 per month) and essential spending. In the circumstances I don't think it was irresponsible of Pounds to Pocket to agree this loan.

Mr P refinanced his second Pounds to Pocket loan once, in August 2015, which caused his largest repayment to increase to £209.47. His regular income and expenditure at this time were not much changed, although he was now sending around £780 per month on average to his family abroad. Based on what I've seen of his bank statements, it doesn't appear that he owed amounts to other short term lenders at that time which would've decreased his available income. So I don't think it was wrong for Pounds to Pocket to agree the refinancing of his second loan, as it would've appeared he had enough money after meeting his regular financial commitments, to make his repayments.

summary of findings

Pounds to Pocket failed to carry out proportionate checks when it agreed to lend or refinance either of the loans it agreed for Mr P.

Had Pounds to Pocket carried out proportionate checks it wouldn't have considered Mr P would be unable to afford his repayments for the first loan, either as initially agreed or as refinanced for the first time. However I think the second time Mr P applied to refinance the first loan, Pounds to Pocket should've taken into account his changed financial circumstances – and in particular the money he needed to pay its sister brand in the near future. Had it done so, I think it would've recognised Mr P would be unable to make his repayments sustainably, and not agreed to refinance the loan again.

I don't think proportionate checks would have changed Pounds to Pocket's decision to agree the second loan or to refinance it. This is because it would've appeared that Mr P could've afforded to make the repayments from his available income.

putting things right

As Pounds to Pocket shouldn't have agreed the second or third refinancing of Mr P's first loan, it's not right that he should have to pay interest and charges in relation to those. So I intend to direct Pounds to Pocket to do the following:

1. Calculate the total amount in interest and charges Mr P paid as a result of refinancing his first Pounds to Pocket loan for the second and third times. To the individual amounts Mr P paid, Pounds to Pocket must add 8% simple interest*, calculated from the date Mr P made the payments to the date the complaint is settled.

2. Remove any adverse information recorded on Mr P's credit file in relation to the first loan. Adverse information should only be removed from the date the loan was refinanced for the second time.

*HM Revenue & Customs requires Pounds to Pocket to deduct tax from this interest. Pounds to Pocket must give Mr P a certificate showing how much tax it's deducted, if Mr P asks for one.

my provisional decision

For the reasons I've explained above, I intend to uphold Mr P's complaint in part and direct CashEuroNet UK LLC to take the actions set out in the "putting things right" section. I now invite both parties to the complaint to make any further arguments or submit any more evidence they want me to consider. They need to do this by 5 October 2017. I'll then review the case again.

Will Culley
ombudsman