

## **complaint**

Mr K complains that CashEuroNet UK LLC lent to him irresponsibly. At the time of the loan approval in February 2015 it traded as Pounds to Pocket. A name change means it trades more recently as OnStride. I will refer to it as CashEuroNet.

## **background**

Mr K applied for one loan. CashEuroNet approved a principal of £1,150 repayable over seven instalments of just under £291 each month commencing 23 March 2015 and due to end 23 September 2015. Within a few weeks of the loan being approved Mr K had difficulty repaying it.

One of our adjudicators looked at the complaint and thought that CashEuroNet did not need to put anything right for Mr K. He thought that although CashEuroNet may not have carried out the right checks, but if it had he did not think it would have made a difference to its lending decision.

Mr K was not content and asked for an ombudsman to review it. Since then, CashEuroNet has written to Mr K directly and has waived the outstanding balance and reduced it to £0. It has said that it would amend Mr K's credit file as well.

Mr K wanted the complaint to proceed. He was content with the waived principal and wished to *'claim the money back I have paid plus interest and money for stress this has caused'*.

The complaint was unresolved and so it was passed to me. I issued a provisional decision on 10 October 2019 and a copy of that is attached. It forms part of this final decision and sets out my reasons for coming to the provisional decision which was: CashEuroNet did lend irresponsibly but that nothing further needs to be done by it to redress the situation. And I did not think that any payment for distress and inconvenience was due to Mr K.

CashEuroNet has replied and said it has nothing further to add.

Mr K is content that I have made a provisional decision that CashEuroNet lent irresponsibly but he thinks more needs to be refunded to him and additional payments for distress and inconvenience paid to him.

## **my findings**

I have reconsidered all the available evidence and arguments to decide what I consider to be fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

As both CashEuroNet and Mr K have agreed with that part of my provisional decision relating to the irresponsible lending then I do not address that part of this complaint again. My final decision on that is the same as in my provisional decision and for the same reasons.

The part that I address here relates to the points Mr K has made surrounding his wish for payment for distress and inconvenience. I am sorry to hear that he has been affected and that he has not been well.

CashEuroNet have acted in a positive and sympathetic way as required by its regulators when approached by a customer with financial concerns and expressing difficulty to repay a debt. Mr K informed CashEuroNet in May 2015 that he was in financial difficulties and it stopped any further interest and charges being added to the account. No repayments were made from then until January 2017 when a £20 a month repayment plan was set up and in April 2018 that was reduced to £2.15 a month from around April 2018.

Mr K complained to CashEuroNet in March 2018 and in May 2018 brought his complaint to this service. In September 2018 our adjudicator's view was that CashEuroNet did not need to do anything to put things right. Mr K asked for an ombudsman's review. It took time for that to be allocated and in the meantime – April 2019 – CashEuroNet wrote to Mr K directly to explain that it had made an error. It related to a different point to irresponsible lending and some of that letter from CashEuroNet to Mr K is replicated here:

*'once your complaint was referred [to the ombudsman service], we suspended any collection activities whilst we awaited the outcome of the case as we believed this to be in your best interest. As a result, your loan went into arrears and was reported to the credit reference agencies.'*

*'As a courtesy, we will waive the remaining balance on your loan, which will take up to 48 hours to process. As a result, you owe £0.00 towards this loan. Additionally, we will correct any adverse credit markings reported on your credit report during this time.'*

So from the end of April 2019 no payments of £2.15 have been taken and Mr K's balance was reduced to '£0'. I have not been given a copy of Mr K's credit file so I do not know if the entry in respect of this loan has been amended as CashEuroNet said it would. This will need to be checked by Mr K.

As I have explained in my provisional decision, Mr K received the principal sum of £1,150 and was due to repay a total of £2,035.88 (£290.84 x 7). Mr K has repaid £659.74. If this complaint was upheld then the usual redress is that these repayments from Mr K would be reworked on the account and all put towards the repayment of the overall capital of £1,150, net of interest and charges. It would leave a balance of £490.26 for Mr K to repay to CashEuroNet going forward.

So in principle Mr K still owed just over £490 of that original loan to pay back. Now Mr K has been placed in a better position than I would normally award as he does not need to repay it because of CashEuroNet's actions in April 2019. And it is fair and reasonable that I take this into account when Mr K is asking me to consider that additional payments are made to him as compensation.

CashEuroNet needs to ensure that it has amended Mr K's credit file in the way that it agreed to do in April 2019. But apart from that I do not think that it needs to do more.

And while I am sorry to hear that Mr K has not been well, I do not think that any money is due to Mr K for distress and inconvenience caused by CashEuroNet because of this loan. And the reason is that I think CashEuroNet has done enough already.

### **my final decision**

My final decision is that I consider that CashEuroNet UK LLC did lend irresponsibly but that nothing further needs to be done by it to redress the situation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 25 November 2019.

Rachael Williams  
**ombudsman**

*the provisional decision appears on the next page*

### ***my provisional decision findings dated 10 October 2019***

#### **my provisional findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer a lender should take proportionate steps to understand whether the consumer will be able to repay what they are borrowing in a sustainable manner without it adversely impacting on their financial situation.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves did not set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key element was that any checks needed to be proportionate and had to take into account a number of different things, including how much was being lent and when the sum being borrowed was due to be repaid.

Having reviewed everything sent by both parties and in the context of the application having been made in February 2015, I think that this was an irresponsible lending decision. And the reasons are that to lend this sum of money to a relatively recently discharged bankrupt (eleven months earlier in March 2014) without carrying out a comprehensive and full check of Mr K's financial situation was irresponsible. I think that it's extremely likely CashEuroNet's credit searches revealed his bankruptcy history and so I think it proceeded to lend despite this. I have not received any of CashEuroNet's search results other than a list of what it carried out and as this is a provisional decision it is invited to send them to me.

If CashEuroNet had done a full financial review, prompted by the bankruptcy information which I am relatively sure it would have seen, then I think it would have realised that:

- Mr K earned about £907 (after tax) each month. I have obtained this figure from the average of his three months of payslips preceding the loan decision: December 2014, January and February 2015. So this was much less than his declared income of £1,700 each month;
- that he had a history of difficulty managing his finances in the relatively recent past and it had resulted in bankruptcy;
- his declared outgoings were £275 but this would have been after completing a short list with only a few categories for the application process. Using a more comprehensive list of outgoings sent to CashEuroNet by Mr K at a later date, then I can see these were realistic, modest and very likely to have been similar to his situation in 2015. It included, food, council tax, utilities, telephone, TV licence/rental, prescriptions/health costs and life insurance. These amounted to £290 each month. But I think that the 'food allowance' of £100 was very low in my view as it translates into £3.20 a day and so I think it's more likely to have been £200 a month = £390 in total. And I note that this list did not include rent or travel costs. But I have seen another document that his rent was about £71 in 2014. He may have been successful in his Housing Benefit application which he has indicated on the form that he had applied for, but as this was a benefit then it could have been refused and or withdrawn before any loan was repaid. And so I think that the rent cannot be ignored and a responsible lender would have factored it into the calculations when carrying out a creditworthiness assessment;
- Mr K's personal credit file shows me that he had an outstanding short term loan for £80 around that time – taken February 2015 and repaid April 2015;
- Mr K had a couple of low limit credit cards and a couple of mail order and/or 'rent to own' accounts around that time which likely would have taken up most, if not all, of the balance.

So my overall view is that these add up to an expenditure figure for Mr K on a low income with an expected repayment figure for the CashEuroNet loan of around £291 each month for seven months which would have left him with nothing or virtually nothing left each month.

So ordinarily I would make a provisional decision to uphold this complaint on the grounds of irresponsible lending. But the waiver of the outstanding balance leads me to explain further.

To do the calculations in this next section, I have used the statement of account from CashEuroNet sent to Mr K in April 2019 with its waiver offer, and which was forwarded on to us by Mr K.

Mr K was due to repay a total of £2,035.88 (£290.84 x 7). Mr K has repaid £659.74 which was a mixture of capital (£99.74) and interest repayments (£545) and a £15 late fee.

If this complaint was upheld then the usual redress would be that these repayments from Mr K would be reworked on the account and all put towards the repayment of the overall capital of £1,150, net of interest and charges. It would leave a balance of £490.26 for Mr K to repay to CashEuroNet going forward. And the reason for this is that it is usual for the principal lent to be repaid as Mr K has had the advantage of that sum in 2015.

But because of CashEuroNet's actions in April 2019, Mr K's current balance is £0. So I do not think it is fair to ask Mr K to have to repay anything going forward in light of CashEuroNet's positive action earlier this year.

CashEuroNet also said: *'Additionally, we will correct any adverse credit markings reported on your credit report during this time.'*

So I have come to a very specific provisional decision in these particular circumstances, which is that CashEuroNet did lend irresponsibly but it need not do any more to remedy this. And Mr K need not repay anything further. So the balance on the account remains at £0 and the complaint is resolved and the loan considered repaid.

*payment for distress and inconvenience*

Considering all the facts which I have read carefully and taken into account, then I do not think that any additional payment to Mr K for distress and inconvenience is necessary. CashEuroNet has explained how it approached the situation when Mr K raised his difficulties and I am aware of its recent decision to waive the balance. I do not think that CashEuroNet need do more.

***end of provisional decision extract***