

The complaint

Mr K is unhappy that when he applied for a quote for car finance with Carfinance247 Limited ("Carfinance247"), it led to credit searches being carried out, with one remaining on his credit file. He complains that the search was carried out without his authority. He would therefore like his credit file to be amended to show no check being carried out.

What happened

Mr K applied for a loan quote in January 2023. The purpose of the loan was to refinance a car loan balloon payment.

Mr K says it was his understanding that CarFinance247 only needed to check his bank details and driver's licence in order to provide him with the quotation.

Carfinance247 has confirmed that a search that would appear in Mr K's credit file – a so-called 'hard search' – was carried out. It says its advisor told Mr K that it would first be running an active account credit check. It also says Mr K agreed to its privacy policy when he asked for the quote and that this said that it was entitled to carry out a hard search.

Our investigator didn't uphold the complaint. She said that Mr K was told a full credit check would be carried out as part of the quotation process.

Mr K wasn't happy with this outcome so his complaint has been passed to me for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I don't think that CarFinance247 has acted wrongly or unfairly. I will explain why.

Mr K made an enquiry about finance to Carfinance247. Carfinance247 acts as a broker to match up customers with potential lenders who may decide to offer finance once they have carried out certain checks, including credit checks.

When first contacted by a consumer seeking a quote, Carfinance247 asks for a consumer's bank details so that a potential lender can carry out an active account check. In Mr K's case, I've seen that the adviser from Carfinance247 told Mr K in an online chat that it would first need to check his bank details in order to start his application. Once that had happened, an application form was generated and Mr K was required to agree to CarFinance247's terms and conditions and privacy policy before his application could go further. The next stage of the quotation process would involve potential lenders carrying out checks with credit reference agencies in order to find out more about Mr K's financial situation and credit history.

Although our investigator has already made reference to it I think the following extract from the privacy statement bears repeating:

“Whenever you apply for any of our products and/or services, or to make decisions about future products, services and offers that we think you may be interested in the future we and/or our lenders will carry out checks with credit reference agencies ("CRAs"), including - Checks against data relating to your financial situation and financial history. These checks may be referred to as "hard searches" or "credit application searches" and may be visible to other third parties, such as potential lenders.”

I am satisfied that Mr K had the opportunity to agree, or not to agree, to the Carfinance247 terms and conditions and privacy policy it provided him with a part of its process for obtaining finance quotations. I think Mr K would or ought to have been aware that a hard search – one that would likely be recorded on his credit file – would need to be carried out as part of the quotation process when he made his application.

I've also seen that Mr K is concerned as to why his application was apparently accepted by a some potential lenders, whilst others declined it. Carfinance247 says this reflects what may happen following an initial acceptance in principle by a lender when the application goes through further checks. In Mr K's case, Mr K had received several acceptances in principle but none of these resulted in a full approval. Such a process isn't unusual, given that car finance quotations will take into account a consumer's financial circumstances as revealed by checking the credit reference agency they have been given access to.

I've also thought about whether Mr K suffered any loss as a result of what happened – that is as a consequence of hard search being carried out in his name. I don't think he did. It was of course open to Mr K to choose not to agree to any searches being carried out, in which case his application would not have gone ahead given that potential finance providers would not be able to assess the likelihood of K being in a position to repay.

To summarise, I am satisfied that as part of the process of applying for a quotation, Mr K was given the opportunity to see and review its terms and conditions and privacy policies. I therefore agree with our investigator that Carfinance247 took sufficient steps to ensure that Mr K was aware of the checks that would need to be carried out in order to obtain one or more quotes for him. So I am not requiring Carfinance247 to do anything more.

I am sorry that this probably isn't the outcome that Mr K was hoping for. But I can't see that Carfinance247 acted unfairly or unreasonably or that it misled Mr K about the checks that would be carried out when he applied for the quotation.

My final decision

For the reasons given above, I am not requiring Carfinance247 Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 14 December 2023.

Michael Goldberg
Ombudsman