

Complaint

Mr S has complained about a logbook loan CarCashPoint Limited ("Car Cash Point") provided to him. He says the loan was unaffordable.

Background

Car Cash Point provided Mr S with a loan of £2,060.00 in July 2022. This loan was due to be repaid in 24 monthly instalments of £250.64.

One of our investigators reviewed what Mr S and Car Cash Point had told us. And he thought that Car Cash Point hadn't done anything wrong or treated Mr S unfairly. So he didn't recommend that Mr S' complaint be upheld. Mr S disagreed and asked for an ombudsman to look at his complaint.

My findings

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr S' complaint.

Having carefully thought about everything, I've not been persuaded to uphold Mr S' complaint. I'll explain why in a little more detail.

Car Cash Point needed to make sure that it didn't lend irresponsibly. In practice, what this means is Car Cash Point needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Car Cash Point provided Mr S with a logbook loan for £2,060.00 in July 2022. This loan was to be repaid in 24 instalments of around £250. which meant the total amount to be repaid was around £1,500.00. Car Cash Point says it agreed to Mr S' application after he provided details of his monthly income and some information on his expenditure.

It says it cross-checked this against information on a credit search it carried out and copies of bank statements. All of this information showed Mr S could comfortably make the monthly repayments he was committing to.

On the other hand, Mr S has said he was struggling, had a poor credit score and had already been turned down for a loan by another lender.

I've carefully thought about what Mr S and Car Cash Point have said.

The first thing for me to say is that Car Cash Point has provided a record of the credit search information it received. It shows that Mr S had had previous difficulties with credit in the form of county court judgments ("CCJ"). But these were historic as they had been obtained more than a year and four years prior to this application and one of them had also been settled too.

So I do agree with Mr S that he may well have had a poor credit score and I also think that relying on a credit check alone, in these circumstances, is unlikely to have seen Car Cash Point carry out reasonable and proportionate checks. But Car Cash Point didn't rely solely on the credit check it also requested copies of Mr S' bank statements.

And what was contained in these bank statements doesn't obviously contradict the information recoded on the income and expenditure assessment. And certainly not to the extent that they ought reasonably to have alerted Car Cash Point to the fact that the loan payments were unaffordable.

I appreciate that there were cash withdrawals on the bank statements. But Mr S was still making all of his payments from this account and he also explained that he gave the funds he was withdrawing to his partner. And given what the credit search showed about Mr S' active credit commitments, I don't think that it was unreasonable to accept this explanation.

Furthermore, bearing in mind this was Mr S' first loan with Car Cash Point, the monthly loan payments in comparison to Mr S' income and there being nothing else to contradict the not unreasonable figures arrived at in the income and expenditure assessment, I don't think that it was unreasonable for Car Cash Point to have proceeded with this application.

I accept that Mr S' actual circumstances may not have been fully reflected either in the information he provided, or the information Car Cash Point obtained. For example, Mr S has referred to having previously successfully complained about other lenders and this is likely to have had an impact on his credit file. But Car Cash Point did not and could not have known about this.

Equally the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, I think that Car Cash Point carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

I've also considered Mr S' arguments regarding another lender having declined a similar loan application just before Car Cash Point accepted this one. But each lender decides its own risk profile. Indeed, Car Cash Point might have been prepared to lend to Mr S because it was providing a logbook loan. And I wouldn't expect a lender to automatically decline a customer's application simply because another lender has. I'd expect it to carry out its own affordability assessment underpinned by reasonable and proportionate checks. And, I'm satisfied that's what Car Cash Point did here.

As this is the case, I don't think that Car Cash Point did anything wrong when deciding to lend to Mr S. And overall I don't think that Car Cash Point treated Mr S unfairly or unreasonably when providing him with his loan.

Having carefully considered everything, I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr S' complaint, I would remind Car Cash Point about its obligations to exercise forbearance and due consideration should it be the case that Mr S is experiencing financial difficulty and is struggling to make his loan repayments.

My final decision

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 October 2023.

Jeshen Narayanan
Ombudsman