

The complaint

Mr N complains that CarCashPoint Limited lent to him in an irresponsible manner.

What happened

Mr N was given a single loan by CarCashPoint. He borrowed £860 in September 2019 that he agreed to repay in 18 monthly instalments - £60 of that loan was used to pay the fees of the agent who visited Mr N to complete the loan paperwork. The loan is secured against Mr N's vehicle. Shortly after taking the loan Mr N found it difficult to make his repayments and there are now significant arrears on his loan. But CarCashPoint has agreed to suspend any proceedings to repossess Mr N's vehicle whilst his complaint is being considered by this Service.

One of our adjudicators has looked at Mr N's complaint. She thought that the checks CarCashPoint had done before lending to Mr N had been proportionate. And she didn't think those checks suggested that Mr N wouldn't be able to repay the loan in a sustainable manner. So she didn't recommend that the complaint should be upheld.

Mr N didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Mr N's complaint.

The rules and regulations at the time CarCashPoint gave this loan to Mr N required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so CarCashPoint had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr N. In practice this meant that CarCashPoint had to ensure that making the repayments wouldn't cause Mr N undue difficulty or adverse consequences. In other words, it wasn't enough for CarCashPoint to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mr N.

Checks also had to be "proportionate" to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether CarCashPoint did what it needed to before agreeing to lend to Mr N.

CarCashPoint gathered some information from Mr N before it agreed the loan. It asked him for details of his income, and his normal expenditure including the amount he was repaying to other creditors. And he provided around a month's worth of bank statements so that CarCashPoint could check the information he'd given about his income and expenditure.

Mr N was entering into a significant commitment with CarCashPoint. He would need to make monthly repayments for a period of 18 months, and he was using his car as security for the loan. So I would expect that CarCashPoint would want to gather, and independently check, some detailed information about his financial circumstances before it agreed to lend to him. I think that the checks CarCashPoint did achieved that aim and I would consider them to be proportionate in the circumstances of this loan.

But simply doing proportionate checks isn't always enough. A lender also needs to react appropriately to what those checks show. So I've looked at the information Mr N provided to CarCashPoint to see whether it was reasonable for him to be given this loan.

I have some concerns about whether CarCashPoint fully investigated the information Mr N provided. He has told us that his bank statements show he was making repayments each month to a credit union totalling around £275. I can see those amounts on his bank statements. But the repayments weren't recorded on the expenditure information that CarCashPoint collected. And he has told us about other amounts that he isn't sure the lender fully considered.

I think it is reasonable that I take into account that Mr N himself signed the expenditure listing confirming it to be true and accurate. And without guidance from Mr N it is entirely reasonable that CarCashPoint might have not identified the two payments to the credit union that show on Mr N's bank statements, as being regular loan repayments. But in any case, the disposable income that Mr N declared to CarCashPoint, and could be seen from his bank statements, would have suggested the loan was affordable even if the additional repayments to the credit union had been taken into account.

So I don't think the evidence from Mr N's bank statements suggested that he would face problems repaying the loan from CarCashPoint in a sustainable manner. His bank statements don't show evidence of serious financial problems such as regular unpaid transactions or escalating levels of overdraft or other debt. So I don't think that what

I consider to be proportionate checks should have led CarCashPoint to decline Mr N's loan application.

I appreciate how disappointing my decision will be for Mr N. But, in summary I think the checks CarCashPoint did before agreeing this loan were proportionate and that they didn't show anything that should have led to the loan request being declined. So I don't think this complaint should be upheld.

Mr N has an outstanding balance on his loan that he has told us he is struggling to repay. That loan is secured against his vehicle. So I would encourage Mr N to get back in touch with CarCashPoint to discuss how the loan might be repaid. And I would remind CarCashPoint that it should treat Mr N fairly, with forbearance, and with due consideration in those discussions.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against CarCashPoint Limited

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 5 January 2021.

Paul Reilly
Ombudsman