

## The complaint

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

## What happened

Mr P was given four loans by CarCashPoint as shown in the table below. Each of the loans was secured on a vehicle that Mr P owned. It appears that, from time to time, Mr P faced problems meeting his repayments on all of the loans. The first two loans were repaid by an insurance claim when Mr P's car, on which the loans were secured, was stolen. And the remaining loans have also been repaid. A summary of Mr P's borrowing from CarCashPoint is as follows;

Loan Number	Borrowing Date	Loan Amount	Term (weeks)
1	08/07/2013	£ 3,250	156
2	19/07/2013	£ 700	156
3	07/11/2013	£ 810	156
4	04/02/2015	£ 460	78

Mr P's complaint has been assessed by one of our adjudicators. From the information CarCashPoint had sent to us she wasn't able to conclude that the checks that had been done before the loans were agreed had been sufficient. And she thought that proportionate checks would have shown that Mr P couldn't afford to repay any of the loans in a sustainable manner. So she asked CarCashPoint to pay Mr P some compensation.

Disappointingly CarCashPoint didn't respond to 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. If Mr P accepts my decision it is legally binding on both parties

## 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 P's complaint.

The first three loans were regulated by the Office of Fair Trading, with the final loan being regulated by the Financial Conduct Authority. But the rules and regulations in force at the time CarCashPoint gave each of the loans to Mr P were similar and required CarCashPoint 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 P. In practice this meant that CarCashPoint had to ensure that making the repayments wouldn’t cause Mr P 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 P.

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 P.

The information that CarCashPoint has sent us about the checks it performed was limited to just the final loan. But, in response to a subject access request from Mr P, CarCashPoint also sent him some information about its checks that he has shared with us. From that I have been able to determine the checks I think were done before each of the loans were agreed.

Before agreeing each loan (although I accept the same information was most likely used before loans 1 and 2 given they were only nine days apart) CarCashPoint asked Mr P for details of his income, and his normal expenditure. And it appears to have verified some of what Mr P said about his finances by looking at copies of his payslips and extracts from his bank statements.

Mr P was entering into significant commitments with CarCashPoint. He would need to make weekly repayments for periods of up to three years. So I would expect that CarCashPoint would want to gather, and independently check, some detailed information about Mr P’s financial circumstances before it agreed to lend to him. I don’t think that the checks it did were enough. I think it would have been proportionate for CarCashPoint to independently check the true state of Mr P’s finances before agreeing the loan.

In saying that I have considered that CarCashPoint asked Mr P for copies of his bank statements. I don't know what CarCashPoint specifically asked Mr P to provide. But from the information he appears to have submitted I don't think those statements cover a sufficient time period to allow CarCashPoint to derive any great understanding of the true state of Mr P's finances. At most it seems to me they could have been used to verify his income.

But although I don't think the checks CarCashPoint did before agreeing the loans were sufficient, that in itself doesn't mean that Mr P's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown CarCashPoint that Mr P couldn't sustainably afford the repayments. So I've looked at fuller copies of Mr P's bank statements, and what he's told us about his financial situation, to see what better checks would have shown CarCashPoint.

At this stage I want to be clear that I am not suggesting that this is the exact check that CarCashPoint should have carried out. I do think CarCashPoint needed evidence to corroborate what Mr P said was happening with his finances. And looking at his bank statements is one way of achieving that although there are of course many other ways that level of detail could be established. But I think that by looking at Mr P's bank statements I can get a good idea of what better checks might have shown.

It is clear from Mr P's bank statements that he was struggling with an addiction to online gambling. He was making significant and regular payments to a range of online gambling sites. As an example, in the month before he took his first loan, he spent well over half his normal income on transactions of this nature. I have noted that CarCashPoint did acknowledge in its final response that it had found Mr P was paying for a "*small amount of online gaming out of [his] disposable income*". And I accept that is how it might have appeared from the limited transaction information Mr P had provided. But had CarCashPoint probed deeper, as I think it should have, it would have seen the true extent of Mr P's gambling spending.

Mr P's gambling spending didn't change to any great extent over the rest of the time that he was borrowing from CarCashPoint. So I think better checks before the remaining loans would have reached the same conclusions as I think should have been reached before loan 1 was agreed. Given Mr P's patterns of spending I don't think it would be reasonable to conclude that he would be likely to be able to repay any borrowing in a sustainable manner. So I don't think CarCashPoint should have agreed to give Mr P any of the loans. CarCashPoint needs to pay Mr P some compensation.

### **Putting things right**

I don't think CarCashPoint should have agreed to give any of the loans to Mr P. So CarCashPoint should;

- refund all the interest and charges Mr P paid on the loans
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†
- remove any adverse information recorded on Mr P's credit file in relation to the loans

† HM Revenue & Customs requires CarCashPoint to take off tax from this interest. CarCashPoint must give Mr P a certificate showing how much tax it's taken off if he asks for one.

**My final decision**

My final decision is that I uphold Mr P's complaint and direct CarCashPoint Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 January 2021.

Paul Reilly  
**Ombudsman**