

Complaint

Mr H complains that CarCashPoint Limited ("CarCashPoint") unfairly provided him with a logbook loan. He says he was offered the loan when he was in a vicious circle of payday lending and couldn't afford it.

Background

CarCashPoint provided Mr H with a logbook loan for £800 in January 2017. The loan was due to be repaid in 78 weekly instalments of £28.72. One of our adjudicators reviewed Mr H's complaint and explained why he thought CarCashPoint made an unfair lending decision when providing this loan.

CarCashPoint didn't respond so the case was passed to an ombudsman for a final decision.

My findings

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

As well as setting out the key rules, regulations and good industry practice, we've explained how we handle complaints about unaffordable and/or irresponsible lending on our website. I've used this approach to help me decide Mr H's complaint.

Having carefully considered everything I've been provided with, I'm upholding Mr H's complaint. I'd like to explain why.

Our adjudicator set out why he thought CarCashPoint made an unfair lending decision when providing this loan. As CarCashPoint didn't respond, I don't know what exactly it is it disagreed with in our adjudicator's assessment or what it thinks he got wrong.

In any event, CarCashPoint will be aware that the rules and regulations, in place at the time it lent to Mr H, required it to establish whether Mr H could sustainably make his loan repayments. In other words, understand whether Mr H could make his repayments without experiencing financial difficulty or borrowing further - not just whether the loan payments were technically affordable on a strict pounds and pence calculation. And I've seen that the bank statements, for Mr H, which CarCashPoint reviewed before providing this loan showed payments to a number of payday lenders in the months leading up to this application. Indeed these payments took up most of Mr H's income.

In these circumstances, I don't think that it was fair and reasonable for CarCashPoint to conclude that Mr H would more likely than not have been able to make the payments to this loan without difficulty or borrowing further. So I think that its decision to lend in these circumstances having been provided with what it was provided with was unfair.

Consequently, and having carefully considered everything provided, I think that CarCashPoint unfairly provided Mr H with his logbook loan.

Fair compensation – what CarCashPoint needs to do to put things right for Mr H

I think it would be fair and reasonable in all the circumstances of Mr H's complaint for CarCashPoint to put things right by:

- refunding the interest, fees and charges Mr H paid as a result of this loan;
- adding interest at 8% per year simple on any refunded interest, fees and charges from the date they were paid by Mr H to the date of settlement†;
- removing any adverse information placed on Mr H's credit file because of this loan.

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

My final decision

For the reasons given above, I'm upholding Mr H's complaint. CarCashPoint Limited should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 April 2021.

Jeshen Narayanan
Ombudsman