

The complaint

Mr W says CarCashPoint Limited lent to him irresponsibly.

What happened

Mr W borrowed £850 from CarCashPoint on 23 December 2014. The loan had a 156-week term, the weekly repayments were £25.07 and the total repayable was £3910.93. As Mr W was unable to make his repayments his car was repossessed in December 2015. CarCashPoint sold it for £2050.82 in February 2016 and wrote off the remaining outstanding balance.

The loan was a log book loan. It was given on the basis that Mr W provided CarCashPoint with a bill of sale for his car. This meant that if Mr W didn't make his loan repayments, CarCashPoint could potentially recover its losses through the sale of the car – as happened.

Mr W says CarCashPoint lent to him when he already had financial difficulties and was gambling. He was using two bank accounts and making large transfers between them but this wasn't questioned, CarCashPoint only wanted to check his income.

The adjudicator didn't recommend Mr W's complaint should be upheld. She said the lender's checks weren't proportionate, but she didn't think if it had completed better checks CarCashPoint ought to have made a different lending decision. Mr W disagreed saying checking his credit file would have showed he'd defaulted on multiple accounts.

As agreement could not be reached the complaint was passed to me to make a decision. I reached a different conclusion to the adjudicator and so issued a provisional decision (an extract follows and forms part of this final decision) to give both parties a chance to submit any final comments or new information. I asked for their responses by 9 August 2021.

Extract from my provisional decision

CarCashPoint asked for some information from Mr W before it approved the loan. It asked for details of his income (and checked this against recent bank statements), living expenses and about any credit cards or loans he was repaying. It added a buffer of £200 to the expenses he declared. And it checked he hadn't been declared bankrupt. From these checks combined CarCashPoint concluded that Mr W had £395 of disposable income and so the loan was affordable.

Like our adjudicator I don't think these checks were proportionate given the term of the loan and the fact it was secured against Mr W's car. However I won't comment further on this as even based on the checks it carried out I don't think CarCashPoint made a fair lending decision.

Whilst CarCashPoint has explained how it verified Mr W's income, I can't see it did the same for his expenditure. It had the information it needed in Mr W's bank statements but it doesn't seem that it fully considered Mr W's expenditure. Had it done so it would have seen that Mr W's financial position was not as it assumed. He was having problems managing his

money, spending a significant amount of his monthly income on gambling in each of the three months prior to this loan application. I note the adjudicator pointed to just two or three gambling transactions the day before the loan was approved but this is inaccurate. My analysis of the bank statements Mr W provided to the lender shows he was spending hundreds of pounds each month – and in excess of his income in the month before he applied for this loan.

CarCashPoint should also have noticed Mr W was regularly transferring money to a second account and looked to understand this. Mr W has supplied this service with statements for this second account which show further gambling transactions. So I disagree with CarCashPoint's comment in its final response letter that Mr W's bank statements showed his finances were in good order.

I think CarCashPoint ought to have realised from the data it had gathered that Mr W's finances were not stable and that there was a high risk he wouldn't be able to sustainably repay this loan. So I think CarCashPoint, as a responsible lender, ought to have made a different lending decision. It follows I currently think Mr W has lost out because of what CarCashPoint did wrong.

I haven't seen any evidence that CarCashPoint acted unfairly or unreasonably in any other way.

I went on to set out what the lender would need to do if I upheld the complaint.

Both parties responded to the provisional decision before the deadline.

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.

Our general approach to complaints about irresponsible lending, including all the relevant rules, guidance and good industry practice, is set out on our website and I have followed it here.

In response to my provisional decision Mr W said he thought it was fair and he had nothing further to add. CarCashPoint said it accepted the outcome.

As neither party sent in any comments or new evidence, I have no reason to change the findings I set out or the conclusion I reached. It follows I am upholding Mr W's complaint.

Putting things right

CarCashPoint must put Mr W back in the position he would be in had it not made an irresponsible lending decision. This means Mr W should have repaid no more than the capital he borrowed and he should not have lost his vehicle.

CarCashPoint has confirmed that it sold the car for £2050.82. To work out the fair way to put things right I need to understand the market value of the car. To do this I have relied on a standard industry price guide that is used for valuing vehicles (CAP) and assumed the car was in average condition. I've done this based on the vehicle inspection report completed when the car was collected in December 2015 that the lender has provided. I have taken into account the mileage at the date of sale. On this basis I am estimating the market value to have been £3275.

So CarCashPoint should:

- add up the total amount Mr W repaid and deduct this sum from the capital amount of the loan
- if this results in Mr W having paid more than he received the overpayments should be refunded along with 8% simple interest* (calculated from date of the overpayments until the date of settlement)
- if a capital balance remains outstanding the lender should try to arrange an affordable repayment plan with Mr W, ensuring any fees associated with the repossession are not included in this balance
- refund £3275 to Mr W to reflect the estimated market value of his vehicle that he had to surrender to repay in part a loan he shouldn't have been given
- remove any adverse information recorded on Mr W's credit file in respect of the loan

*HM Revenue & Customs requires CarCashPoint to deduct tax from this interest. CarCashPoint should give Mr W a certificate showing how much tax it's deducted, if he asks for one.

My final decision

I am upholding Mr W's complaint and CarCashPoint Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 September 2021.

Rebecca Connelley
Ombudsman