

## The complaint

Mr L has complained that CarCashPoint Limited ("CCP") was irresponsible to have agreed credit for him.

## What happened

CCP provided Mr L with four loans – three in 2016 and one in 2018. I've summarised some of the information CCP provided about these loans in the following table.

	Start	Capital /Total	Repayment	Term
Loan 1	24/08/2016	£560 / £2,577	£16.5 weekly	156 weeks
Loan 2	27/09/2016	£560 / £2,173	£14 weekly	156 weeks
Loan 3	01/11/2016	£1,860 / £7,887	£50.50 weekly	156 weeks
Loan 4	29/06/2018	£660 / £1,848	£103 monthly	18 months

These were all 'log book' loans, in other words they were granted on the basis that Mr L provided CCP with a bill of sale for his car. This meant that if Mr L didn't make his loan repayments CCP could potentially recoup its losses through the sale of his vehicle.

I understand that Loans 1 and 2 ran concurrently and that Loan 3 was used in part to repay the two earlier loans. Mr L incurred late payment charges from the outset with his third loan and fell into arrears. He repaid this loan monthly but missed payments in some months in 2017 and never managed to clear his arrears. Loan 3 was settled early with a lump payment in March 2018. CCP agreed a fourth loan for Mr L a few months later. It seems this was managed in the same way – Mr L incurred late payment fees within a few months and fell into arrears, which he didn't manage to clear until the loan was repaid in full by June 2020.

Mr L said that CCP was irresponsible to have lent to him because it would have seen that the loans were unaffordable, had it carried out proper checks beforehand.

One of our investigators looked into Mr L's complaint and upheld it in part because they found that CCP was irresponsible to have agreed Loans 2, 3 and 4 for Mr L. They recommended that CCP refund all interest and charges Mr L had paid on these loans and remove adverse information relating to them from his credit file.

CCP didn't agree with our investigator's conclusion about Loans 2 and 3 but did accept their conclusion regarding Loan 4. CCP offered to resolve Mr L's complaint by paying compensation for this loan. Mr L declined this offer and said *"Loan 3 was a consolidation of loans 1 and 2 and a new loan 3. This due to my circumstances should not have happened. CCP could see I had missed payments on loans 1 and 2 so should never have consolidated then with a new loan with higher monthly payments over a longer period. The loan was never going to be sustainable. I struggled to pay loan 3 - I had to borrow off friends and family to maintain it. I missed priority bills so I wouldn't lose my vehicle and CCP knew this."*

The case came to me, as an ombudsman, to review and resolve. I focused on Loans 2 and 3 in my decision as it seemed Loans 1 and 4 were no longer in dispute. I provisionally found that CCP was irresponsible when it lent to Mr L a third time, and I sent out a provisional decision on 1 February 2022 explaining why I planned to uphold his complaint about this loan. I proposed that CCP refund Mr L what he paid above the capital he borrowed for Loan 3 and for Loan 4 also, as it had accepted our investigator's conclusions about this lending decision.

Mr L accepted my provisional conclusions but CCP didn't respond. This is my final decision on the matter and will be legally binding on both parties should Mr L accept it.

### **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.

I appreciate that this will be disappointing for CCP but, having looked at everything again and having no further information to consider, my provisional conclusions remain unchanged. I'll set out again my reasons for upholding Mr L's complaint in part.

As I'd said in my provisional decision, CCP will be familiar with the regulations in place so I will briefly summarise these. CCP needed to check that Mr L could afford to meet his repayments sustainably before entering into each of these four credit agreements. In other words it needed to check that he could meet his repayments out of his usual means without having to borrow further and without experiencing financial difficulty or other adverse consequences. The necessary checks needed to be proportionate to the nature of the credit and to Mr L's circumstances.

The overarching requirement was that CCP needed to pay due regard to Mr L's interests and treat him fairly. CONC 2.2.2G gave an example of contravening this requirement as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did CCP complete reasonable and proportionate checks when assessing Mr L's applications to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did CCP make fair lending decisions?

CCP provided this Service with the information it relied on in making its lending decisions. This included Mr L's application forms, his payslips and bank statements. The payslips were for the months of May through to August 2016, October 2016, and February, March, May and June 2018. The bank statements covered 24 May to 12 August 2016, 12 September to 1 November 2016 and 29 March to 29 June 2018. Mr L has provided statements for other bank accounts and copies of correspondence between him and CCP.

I've noted that Mr L said in his August and September 2016 applications that he'd have a work bonus in December. Aside from the fact that Mr L would have repayments to make in the meantime, in order to accept this increase in means I think CCP ought to have asked for evidence and I can't see that it did so. I haven't seen any evidence of this bonus nor can I find any obviously related deposits on Mr L's bank statements so I have disregarded it.

Mr L said in his applications his income was £1,342 and his expenses came to £581 at the time of Loan 1 and £681 at the time of Loan 2. The information he'd given in his application forms suggested that he had a surplus of £761 and £661 for Loans 1 and 2 respectively.

This seems at odds with him needing to take out loans for amounts less than this. Also, Mr L could lose his car if he didn't manage to meet his repayments so the potential consequences were serious. I think CCP was right to gather some independent information about Mr L's finances before lending to him.

However, while these checks might have been proportionate in some circumstances, it doesn't necessarily follow that CCP made fair lending decisions in Mr L's case. The information CCP had showed that Mr L had other debts and costs which it hadn't captured on its application forms. For example, Mr L was making monthly repayments of about £30 for catalogue debts and of up to £90 for a flexible credit facility. There were some transfers labelled 'kids money' to another person and other transfers to this person of up to £80. Some of his costs were higher than he'd declared, for example a monthly loan repayment of £145 was in fact £249. In addition, there were many transfers to and from other bank accounts.

Altogether, it seems Mr L had less disposable monthly income than he'd declared and CCP should have seen this from the information it had. A check on Mr L's other bank accounts, which I think would have been reasonable and proportionate, wouldn't have provided any reassurance to CCP that the loan would have been affordable but instead highlighted other costs, for example what seem to be weekly child cost payments of about £50 to £70.

Loans 1 and 2 ran concurrently and the combined repayments came to about £135 a month. I understand that Mr L missed a payment on his first loan and two payments on his second. CCP sent Mr L an email about his arrears on his second loan a couple of weeks before agreeing a third for him. The repayments for Loan 3 were higher again at about £225 a month.

I think Mr L might have been able to meet his repayments for his first two loans, based on the information available to me. But agreeing this third loan for Mr L committed him to paying at least a third of his monthly income on repaying debt. I think CCP ought to have had concerns about this given the information it had about Mr L's potential costs and his management of his second loan. I think further checks at this point would likely have revealed that the loan wouldn't be sustainable for Mr L and I think this was borne out by his repayment problems.

In summary, I've concluded that CCP wasn't irresponsible to have agreed a second loan for Mr L but it shouldn't have agreed to lend to him a third time. He's lost out by paying interest and charges on this money and potentially had adverse information recorded on his credit file.

As mentioned, CCP has agreed that it shouldn't have given Mr L a fourth loan so I have set out below what it needs to do to put things right for him regarding both loans.

### **Putting things right**

I understand that all the loans have been repaid. It's fair that Mr L repays the capital he borrowed for Loans 3 and 4 as he's had the use of this, but he shouldn't pay more than this.

In order to put things right for Mr L, CCP needs to:

- a) Refund to Mr L all payments he made above the capital amounts he borrowed for Loans 3 and 4;
- b) Add 8% simple interest per annum to these overpayments from the date they were paid to the date of refund; and
- c) Remove any adverse information about these loans from Mr L's credit file; and
- d) Revoke the Bill of Sale for Mr L's car if this is still in place and return any relevant documents to him if it hasn't already done so.

\*HM Revenue & Customs requires CCP to deduct tax from this interest. It should give Mr L a certificate showing how much tax it has deducted, if he asks for one.

### **My final decision**

For the reasons set out above, I am upholding Mr L's complaint in part about CarCashPoint Limited and it needs to put things right as I've said.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 April 2022.

Michelle Boundy  
**Ombudsman**