

The complaint

Mr F complains about three logbook loans provided to him by CarCashPoint limited, ("CarCashPoint") which he says were unaffordable.

What happened

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

I looked into whether these 3 loans were given to Mr F fairly. The details are as follows:

Number	Amount	Date taken	instalments	Monthly amount	Total to repay
1	£2560	16.01.2018	78 Weeks	£321.44	£5786.04
2	£810	25.08.2018	78 Weeks	£117.91	£2122.33
3	£3060	18.02.2019	18 Months	£321.42	£6915.60

Mr F says the loans were unaffordable and shouldn't have been given to him.

CarCashPoint had agreed to put things right regarding loans 2 and 3. So I looked into loan 1.

I issued a provisional decision on this complaint in January 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"As set out above, CarCashPoint gathered some information from Mr F about his income and expenses before it agreed the loans.

Did CarCashPoint carry out proportionate checks?

I've read how CarCashPoint says it asked about Mr F's financial circumstances for the loan it granted on 16 January 2018, but I'm not currently satisfied that the checks it says it carried out, went far enough. It submitted several documents about the checks it carried out for all 3 loans but most of these documents relate to loans 2 and 3. So although it says it asked Mr F about his income and expenditure and verified his income and rent paid through checking bank statements, I haven't been able to look through the statements that it says it had in front of it. I also haven't seen how it would have checked whether Mr F had any credit impairment at the time. It has told our service that Mr F declared his income to be £1800 and his expenditure as £762 and this would have left him with disposable income that would have meant he would've comfortably afforded the loan repayments. But I haven't seen what CarCashPoint would have seen on this occasion about what it says it gathered to make its lending decision for loan 1.

When I consider what I have just concluded and also see the amount Mr F was looking to borrow, the length of time and also the overall amount he was going to repay, I currently think CarCashPoint should have done more in its checks than I have seen it do, to assure itself that Mr F could sustainably repay the loan over the 78 weeks.

For the above reasons, I don't currently think CarCashPoint has been able to demonstrate that the checks it carried out for loan 1 were proportionate.

What would reasonable and proportionate checks have shown?

I need to think about what CarCashPoint would have seen if it had carried out proportionate checks. Our adjudicator asked Mr F to provide his bank statements from around the time he applied for loan 1. I'm not suggesting here that this is the check that CarCashPoint should have done. But I think looking at the bank statements he has now provided would give me the best picture of what the lender should have seen if it had asked for more.

I've carefully considered the information provided within the statements. Having done so, it's clear Mr F was gambling significant amounts of money at the time he asked for this loan. In these circumstances, it is apparent to me that further checks would have shown CarCashPoint that Mr F was unlikely to have been able to repay this loan without borrowing further or experiencing financial difficulty.

Bearing all of this in mind, I'm satisfied that reasonable and proportionate checks would have shown CarCashPoint that Mr F would not have been able to sustainably repay loan 1. So, I'm satisfied that UK Credit's failure to carry out proportionate checks resulted in it unfairly providing this loan to Mr F. In addition, CarCashPoint also agrees that it didn't make a fair lending decision for loans 2 and 3. So it now needs to put things right for loans 1-3."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr F responded and said he agrees and has no further points to make. CarCashPoint did not respond to the findings of my provisional decision.

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.

Mr F has not made any new points for me to respond to and CarCashPoint has not responded. So, as neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr F's complaint.

Putting things right

I think it is fair and reasonable for Mr F to repay the principal amount that he borrowed, because he has had the benefit of that lending. But he has been indebted with interest and charges on lending that shouldn't have been provided to him.

CarCashPoint should:

- Remove all interest, fees and charges on loans 1-3 and treat all the payments Mr F has made as payments towards the capital.

- If reworking Mr F's loan account results in him having effectively made payments above the original capital borrowed, then CarCashPoint should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Treat Mr F fairly, If there is a balance remaining for him to repay. It should work with Mr F to find an affordable payment plan.
- Remove any adverse information recorded on Mr F's credit file in relation to loans 1-3.

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

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 25 May 2022.

Mark Richardson
Ombudsman