

The complaint

Miss H has complained that Logbook Money Limited (“LBM”) was irresponsible to have agreed credit for her.

What happened

LBM provided Miss H with a loan of £1,500 on 26 April 2021. The total amount of £4,200, including interest and charges, was to be repaid in 78 weekly instalments of £53.85 or about £230 a month (figures rounded).

This was a ‘log book’ loan, in other words it was granted on the basis that Miss H provided LBM with a bill of sale for her car. This meant that if Miss H didn’t make her loan repayments LBM could potentially recoup its losses through the sale of her vehicle.

It seems Miss H didn’t meet her repayments from the outset and was charged late payment and vehicle recovery fees. LBM sent an account statement to Miss H on 12 July 2021 which showed the account balance as £4,748.30 and offered a settlement figure of £2,544.15. I understand the loan was settled a few days later.

Miss H says that LBM didn’t look into her finances properly before lending to her, despite it having access to her bank accounts. Miss H has also explained that she suffers with a mental health condition which contributes to her problems managing money. Miss H says that she has no control over her finances which should have been clear from her bank statements. She also says that she gambles.

One of our investigators looked into Miss H’s complaint and recommended that it be upheld. They found that Miss H didn’t have enough money to meet her loan repayments and that she wasn’t likely to be able to repay the loan sustainably given her gambling. They recommended that LBM refund Miss H everything she’d paid above the original amount she borrowed, along with compensatory interest.

LBM didn’t accept this recommendation and asked for the complaint to come to an ombudsman to review and resolve. I issued a provisional decision on the 12 April 2022 explaining why I planned to uphold Miss H’s complaint and allowed time for both parties to comment on what I’d said or provide new information. Miss H has accepted my provisional findings and I’ve had no response from LBM.

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.

Having considered everything again and having no new information or comment to consider, I see no reason to depart from my provisional conclusions. For completeness, I will set out my reasoning and conclusions again in this final decision on the matter.

As I’d said in my provisional decision, LBM will be aware of the relevant regulations so I

will summarise them. LBM needed to check that Miss H could afford to meet her repayments out of her usual means without having to borrow further, without missing any of her existing obligations and without experiencing significant adverse impacts. LBM was required to take reasonable steps to estimate Miss H's income and (non-discretionary) expenditure, and to estimate any reductions in income where it was reasonably foreseeable that a reduction was likely. LBM also needed to have regard to any information of which it was aware at the time that might have indicated that Miss H was in, had recently experienced or was likely to experience, financial difficulties.

One of the rules set out by the regulator stated that a business must not accept an application for a loan where it suspects that the applicant has not been truthful in completing it, for example where the information declared might be inconsistent with other information (CONC 5.2A.36R). The overarching requirement was that LBM needed to pay due regard to Miss H's interests and treat her fairly. CONC 2.2.2G(1) gave an example of contravening this 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 LBM complete reasonable and proportionate checks when assessing Miss H's application to satisfy itself that she would be able to make her repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did LBM make a fair lending decision?

LBM provided this Service with the information it relied on in making its lending decision. This included a record of what Miss H had said about her income and expenditure and telephone recordings from the application process. LBM also provided a transaction listing from one of Miss H's bank accounts covering dates from 25 January to 24 April 2021.

I reviewed all this information and listened to the call recordings.

LBM says it checked what Miss H had said about her income and expenditure against what it could see on her account transactions and relied on an income figure of £2,550 comprising £1,350 salary, £900 state benefits and £300 from other (unidentified) sources. Miss H had declared expenses of £1,835, which potentially left her with £715 a month to cover her repayments.

The transaction report from LBM (from January to March 2021) showed that Miss H's income varied from £1,200 to £1,456, and her benefits from £783 to £1,118. It also showed that Miss H spent money on gambling, over £500 in February for example. I've noted Miss H was making regular monthly payments of £150 to an individual and made many transfers to and from two other accounts – the report calculated a total of 88 bank transfers in a 90 day period and two returned direct debits.

I think LBM ought to have been concerned that Miss H would not have enough money to meet her loan repayments in any one month, given the variation in her means and her spending on gambling, both of which it knew about. I also think LBM should have considered that a loan might not be suitable for Miss H, as she seemed to be having difficulties managing her money as indicated by the very frequent account transfers.

I understand that LBM asked Miss H for bank statements for one of her other accounts, and she provided snapshots of these covering 11 January to 9 March 2021. The transactions shown consist entirely of transfers to and from her main account, with sometimes tens of transactions a day. Miss H transferred money into this account then

immediately back into her main account in many smaller transactions over the course of a day or two. I don't think this pattern of money management would have provided any reassurance to LBM that Miss H would be able to meet her repayments on its loan without difficulty.

LBM said (in response to our investigator's recommendations) that Miss H wasn't truthful in her loan application and that this should form part of my considerations when making a decision on her complaint. As I've explained, I think LBM had enough information to understand that it wasn't likely Miss H would be able to meet her loan repayments without difficulty irrespective of what she'd said about her circumstances. So I've concluded that LBM was unfair to have agreed a loan for Miss H on this occasion.

I understand that Miss H made no payments to the loan. She explained that she asked a family member for help and was able to settle the loan before a bailiff collected her car. She said that at the time of the loan she had a poor credit rating and provided a copy of her credit file. This shows that Miss H had a history of defaulting on credit. The most recent defaults included an overdraft in March 2021, and two telecoms accounts in August and October 2020, and she had an active county court judgement from June 2016. I can see Miss H continued to borrow from other lenders after this loan had been settled, and her payment problems have continued. Altogether, I think taking out this loan had an adverse impact on Miss H and I've set out below what LBM needs to do put things right.

Putting things right

I understand that the loan has now been repaid and Miss H paid interest and charges on the money she borrowed. In order to put things right for her, LBM needs to:

- a) Refund to Miss H payments she made above the amount of £1,500 she borrowed. To be clear this includes any interest or charges associated with the credit or its collection; and
- 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 this loan from Miss H's credit file; and
- d) Revoke the Bill of Sale for Miss H's car if this is still in place and return any relevant documents to her if it hasn't already done so.

*HM Revenue & Customs requires LBM to deduct tax from this interest. It should give Miss H a certificate showing how much tax it has deducted if she asks for one.

My final decision

For the reasons set out above I'm upholding Miss H's complaint about Logbook Money Limited and require it to put things right for her as I've outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 20 June 2022.

Michelle Boundy
Ombudsman