

## **The complaint**

Mr R complains that Hastings Insurance Services Limited trading as Hastings Direct unfairly withdrew its offer of credit.

Mr R wants Hastings Direct to compensate him for the increased cost of the alternative credit he took out and for the stress he suffered.

## **What happened**

In late 2023, Mr R wanted to borrow money from Hastings Direct to purchase a vehicle. Mr R applied for the loan, was accepted, and received a document to sign.

Mr R returned the signed document and expected to receive the funds within three days. As another customer wanted to buy the same vehicle, Mr R took out finance with the dealership at a higher rate interest with the intention of settling the more expensive credit once the funds from Hastings Direct arrived.

Hastings Direct then told Mr R that after conducting further checks, it had declined his loan application. Hastings Direct told Mr R that it had potentially declined his application due to information on his credit file and its underwriting criteria.

After Mr R complained to Hastings Direct, it said it should not have declined his loan application after contracts had been signed and offered £100 compensation to apologise.

Mr R was unhappy with the offer as he didn't think it reflected the stress and anxiety caused to him. Mr R said that Hastings Direct had not explained how the error happened.

Our investigator thought Hastings Direct responded fairly to Mr R's complaint. He said lending was a commercial decision. He was satisfied that Hastings Direct gave Mr R the primary reasons why it had declined his application. Our investigator pointed to the terms on Hastings Direct's website and the loan agreement which explain that further checks may be necessary.

Our investigator said that after declining Mr R's application, Hastings Direct had changed some of its processes so had offered compensation. Our investigator thought Hastings Direct's offer was fair. He also noted that Mr R found a cheaper loan elsewhere.

Mr R remains unhappy with the investigation outcome. He says the terms and conditions don't mention additional credit checks after a loan agreement has been signed. Mr R says he satisfied the conditions laid down by Hastings Direct at the date of signing the loan agreement.

Mr R says that he has received legal advice that there has been financial misconduct on the part of Hastings Direct. He thinks that the Financial Ombudsman Service has backed up Hastings Direct despite their wrongdoing.

## **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.

Although I may not comment on each and every point raised in this complaint, this doesn't mean I have not read and considered everything the parties have provided. Instead I have focussed on what I consider to be the key points. This is not intended as a discourtesy – it simply reflects the informal nature of this service.

I should also explain that this service doesn't supervise, regulate, or discipline the businesses that we cover. My role is not to punish or fine business for the way in which they conduct their business – that's the role of the regulator – the Financial Conduct Authority.

My role is to look at the problem faced by the consumer and in this case, see if Hastings Direct has done anything wrong. If it has, we try and put the consumer back in the position they would have been if the mistakes had not happened. And we may award modest compensation if we think it's fair and reasonable.

As our investigator told Mr R, the decision to lend is a commercial decision in which we would not usually interfere. However, I can still consider whether Hastings Direct made the decision fairly.

The Standards of Lending Practice says that Hastings Direct should provide the primary reason it decided not to lend. Hastings Direct did this when it told Mr R that it had potentially declined his application due to information on his credit file and its underwriting criteria.

I appreciate that Mr R was unhappy that after conducting the first credit check and approving his loan application, Hastings Direct then conducted a second check. The pre-contract credit information states that Hastings Direct will provide the credit "after we have received the signed agreement from you, have completed our verification checks with you and confirmed all conditions precedent are satisfied." So, I'm satisfied that Hastings Direct was allowed to conduct further checks before releasing the funds to Mr R.

Hastings Direct website also gives some further explanation of its privacy policy. It says that it conducts a soft search credit check to help "establish suitability and Approval in Principle." Then when it assesses a loan application for funding, Hastings Direct conducts a full credit assessment. So, I think there was scope for Hastings Direct to conduct more than one credit check as part of its loan approval process.

The businesses we cover sometimes share information with us on a confidential basis that we cannot share for reasons such as commercial sensitivity. Since declining Mr R's application, Hastings Direct has changed the way it does things. The change might have meant that after conducting additional checks, Hastings Direct would not have declined Mr R's loan application. But I don't think this means Hastings Direct was unreasonable to decline it based on the process it had in place at the time.

Hastings Direct went on to uphold Mr R's complaint, so I have thought about whether it has done enough to put things right. As Mr R found a loan at lower rate than that offered by Hastings Direct, I'm not persuaded that he lost out financially. Although Mr R paid interest at a higher rate for a brief time, it was his choice to take out the loan with the dealership. So, I don't consider it fair to require Hastings Direct to compensate Mr R for any additional interest he may have paid, particularly as he then benefited from a lower rate of interest than Hastings Direct were offering.

I don't want to downplay the stress caused to Mr R when Hastings Direct declined the loan application after he had already gone ahead and bought the vehicle. But it was Mr R's choice to purchase the vehicle before receiving the funds from Hastings Direct. There's always a chance of things going wrong when applying for a loan. And as I've said above, Hastings Direct conducts further checks once the agreement is signed. So there was a chance that Mr R would have to look elsewhere to refinance the dealership loan.

Overall, I consider £100 compensation is fair. When thinking about this, I have taken account of the fact that Mr R was able to secure alternative finance within a short space of time. An award of this size falls within the range we might consider fair for a mistake that caused some stress over days or weeks and has taken a reasonable effort to resolve. Our approach to making awards can be found on our website.

### **My final decision**

Hastings Direct has already made an offer which I consider to be fair. So, my final decision is that, if it has not already done so, Hastings Insurance Services Limited trading as Hastings Direct should pay Mr R £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 June 2024.

Gemma Bowen  
**Ombudsman**