

The complaint

M has complained about the behaviour of Harvey & Thompson Limited trading as H&T Pawnbrokers ("H&T") in relation to loans he took out with it.

What happened

M was a customer of H&T for a few years. He entered into several pawnbroking agreements with it and pledged items as security. M has raised various complaints with H&T over the last few years, but this complaint is dealing with the events that led to H&T sending M a final response letter in December 2022.

H&T's final response letter from December 2022 concerned extra interest being charged on M's pledges. H&T said at the end of one of the agreements M was overcharged £1.63 and so it offered to refund him this amount if he was able to visit the store. M wasn't happy with the response and referred his complaint to the Financial Ombudsman. M said he felt H&T had overcharged him interest and this caused him financial difficulties.

One of our investigators spoke to M and he explained more about his situation. He said he was in financial difficulties and had health concerns, and he thought H&T had contributed to the situation he found himself in. He was unhappy with how H&T dealt with him and responded to his Subject Access Request (SAR). He said H&T lent to him irresponsibly and didn't understand his vulnerabilities. H&T said affordability checks weren't part of its process, and that it had adapted its approach to deal with him. It said it made the decision to not carry out further transactions with M.

M let our investigator know he didn't think H&T had covered off all his complaint points in December 2022. He reiterated H&T didn't support him when he was in financial difficulties. He said he was waiting for a large sum of money from another party, but this didn't materialise. M explained to our investigator that once he redeemed all his pledged items he took them to another pawnbroker with a lower interest rate, and better service in his view. M said documents from H&T were in small print and he didn't know what he was getting himself into. M said he required documents to be sent in large font.

Our investigator issued an assessment noting H&T told her its process is to make sure information is given about the loan before it's entered into. H&T said an adequate explanations document is read to the customer and a verbal explanation is given about the interest rate, details of when the contract will run out and then the agreement is signed by the parties. She noted M had signed within the relevant box. She noted M was registered blind, and accepted the store may have been aware, but she hadn't seen specific adjustments were made at the time and thought the verbal explanations were reasonable in the circumstances. She noted M had provided some of his own notes from the time that indicated there was some understanding of the interest payable.

Our investigator noted M had subsequently gone to other pawnbrokers and entered into agreements with higher and lower rates than H&T. She didn't think H&T was required to highlight the difference in its rate to other lenders. She said she thought a lot of the difficulties M faced seemed to stem from the missing income he was waiting for from another

party. She highlighted the checks H&T were required to complete for this sort of lending weren't the same as for other types of credit. She said H&T wasn't required to make additional affordability checks before deciding whether the agreement was sustainable because the loans were secured against items and if the loans weren't repaid the items could be sold to clear the debt.

Our investigator noted H&T had marked the account as vulnerable and took steps to freeze interest when M said he was struggling to repay. She wasn't supplied calls between H&T and M but based on what she'd seen, she thought it had broadly acted in line with the agreements. She didn't think it was wrong for H&T to send items to auction when loans weren't paid, but she thought M had been able to redeem his items eventually. She didn't think she'd seen enough to recommend H&T pay compensation or refund M interest he'd paid. She didn't think H&T were the cause of M's financial difficulties.

M didn't agree. He thought the information we had from H&T was too narrow. I issued a provisional decision that said:

I want to acknowledge I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I'm required to decide matters quickly and with minimum formality. But I want to assure M and H&T that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

M entered into regulated credit agreements with H&T and our service is able to consider complaints relating to these sorts of agreements.

I'm very sorry to hear about the financial difficulties M says he's experienced. It can't have been easy, and I thank him for taking the time to bring his complaint to our service.

Like our investigator pointed out I can only consider the events that led to the December 2022 final response letter. I can see other complaints were raised in 2022 which had associated final response letters, but these weren't referred to our service in time and H&T didn't consent to our service considering these issues. I think our investigator set out clearly what we are considering under this complaint. Neither M nor H&T have disputed that, so I'm going to proceed on that basis.

As I've said above, I don't think we have the power to look at all of M's complaints. But I've thought about what he's said holistically as best I can. On the one hand, M says he didn't understand the rate was so high compared to other lenders. He's indicating he wasn't given adequate explanations about the agreements. He said H&T didn't make reasonable adjustments. And that it contributed to his financial difficulties.

On the other hand, H&T has explained it would have spoken to M about the terms of the agreements before he entered into them. It said it wrote to him using large font when the request was put in. M has indicated his financial difficulties may have stemmed from a large sum of money he's been waiting on. H&T doesn't have the same requirements with regards to carrying out creditworthiness assessments because the relevant sections in the Financial Conduct Authority's (FCA) set of rules generally don't apply under agreements where a firm takes an article of pawn under the terms of the agreement and the customer's liability would be discharged where the property is passed to the firm. It's important to make that clear because while I appreciate M has said H&T made his financial situation worse, I do have to appreciate that when lending to M, it doesn't have the same requirements as other types of lender. Moreover, I can see H&T did take steps to freeze interest on occasion. This is the sort of action a firm is required to do where the customer is in financial difficulties. It gave M

further time to redeem items. And it ultimately took steps to stop entering into agreements with him.

I've also thought about the overall service M received between June and December 2022 because I think this is the period that relates to the complaint I have the power to consider. I don't think I've been supplied a record of all the contact M had with H&T. But I'm conscious there are various departments and stores he was speaking to. H&T said the stores don't record calls, but it's supplied recordings of phone calls between M and the customer service department. It seems that M was put through to the customer service department when the store didn't pick up the phone. Several of the calls I reviewed are quite brief, but I can see M was unhappy throughout the period in question. He repeatedly wanted to raise complaints, and he let H&T know several times he was unwell, required adjustments, and that he was in severe financial difficulties. He seemed very unhappy H&T hadn't sent him his notes, by which I think he meant responded to an SAR or information request. I think he was also unhappy he wasn't being returned phone calls; some communication was sent by email and not in large font as requested; and that he'd been requesting proof of purchase information from an area manager for some time. Although I think the proof of purchase request is in relation to something we don't have the power to consider because it wasn't related to a loan agreement.

I'm sorry to hear how upset M was. It's quite hard to reach firm conclusions on all the contact that took place because H&T hasn't or is unable to supply a record of everything. I don't know if M was called back when promised, or whether H&T always communicated with him in the way he requested. But, on balance, I think it seems like it took longer than it should have done for H&T to respond to M's concerns. It wasn't until December 2022 it issued a final response. But this only dealt with interest charged on a pledge. Even putting aside the complaint points for the previous final responses, I think M has complained about other things that I've not seen were all addressed. I appreciate it may have been difficult for H&T to deal with the several continuing complaints that were being raised, especially as though it has different departments that I've mentioned. But I think it might've been helpful for M to have had a point of contact given his vulnerabilities. I can see a specialist team was mentioned on one call and had previously contacted him. Having to repeat matters seemed to cause him distress.

It's still not totally clear what happened to M's SAR request, and why he had to request it for so long. I think it would have been helpful had H&T offered to signpost M to support areas, particularly when he repeatedly let it know how severe his financial difficulties were. I can see H&T passed his concerns to the complaints department, but H&T hasn't shown us what happened for the relevant period up to when it sent a final response in December 2022 – that didn't cover all the issues. Based on what I've seen, I think it could have managed his expectations better.

Overall, I'll never know exactly what was discussed every time M entered into an agreement with H&T. But it seems clear M knows how pawnbroking works. He's pawned several items with H&T. He's also pawned items with other pawnbrokers since he stopped with H&T. I don't think H&T was required to notify M what other pawnbrokers may or may not have charged. On balance, I think H&T did explain the costs involved to M. Had M not entered into agreements with H&T, it seems likely he would have gone elsewhere. Again, H&T weren't required to carry out the same sort of creditworthiness assessments as other lenders. And it seems that primarily M's difficulties stemmed from his missing payment, as opposed to unfair actions by H&T. So in all the circumstances, I don't find I have the grounds to say H&T didn't adequately inform M about the terms of the agreements he entered into. I don't think I've seen enough to say it treated him unfairly in that respect. It lent money to him based on the value of the pledged items. I don't think I can fairly make a finding to say the interest it charged was too high – it was for M to decide whether to agree to the terms.

However, based on the evidence I've seen, I think H&T could have taken better steps to get to grips with M's concerns in the relevant period. I think by not doing that I'm not persuaded his complaint was fully understood or answered. For the avoidance of doubt, this isn't just about complaint handling, it's also about how H&T was dealing with M's requests and support in relation to the loan agreements. I think this has had an impact on him and caused him a level of distress and inconvenience. So I'm going to propose H&T pays M £250 compensation to reflect that. I should point out that this is a provisional decision. I will need to give the parties the opportunity to respond before deciding whether to issue a final decision.

H&T responded to say a member from M's specialist support team spoke to M in February 2022 to say it would stop interest at six months on all pledges and hold all of M's pledges for three months after the end date with no additional interest applied. It said at that point M had pledges that had already expired. It said it gave M all the details of what he owed, and the interest charged. H&T said all written communication to M was in large font and that he had numerous conversations with its specialist support team.

H&T said it was only after the date advised for M to repay his pledges that he began further questioning and complaints. It said it provided him with forbearance on numerous pledges. H&T said it is not happy at the award of compensation when it had already removed interest from pledges and granted him further time.

M explained he was unhappy that the award wasn't higher. He reiterated previous complaints he'd made against H&T and said he didn't think H&T co-operated with the investigation.

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'd like to thank the parties for their responses. I do appreciate H&T has taken steps to support M as I highlighted in my provisional decision. I set out I was limited in what I could consider under this complaint because H&T hadn't consented to our service looking at matters subject to previous final response letters. I also set out I'd not been supplied details of all the contact I would have like to have seen between H&T and M. But, for the period in question, I still think things could have been handled better. It was clear M was vulnerable, unwell, in financial difficulties and unhappy with how H&T was supporting him. It's not clear why his complaints weren't answered at the time, or if they were H&T hasn't shown us that's what happened. I appreciate M had a point of contact. I think he referred to that person several times when he reached the customer service department because he wanted to speak to them. Over the calls H&T has been able to supply, M spoke to several agents and was told various departments would be contacting him. Based on the limited evidence H&T supplied it doesn't seem like it was as easy to reach the relevant contact as it could have been.

Overall, for the period in question, I think the matter caused M growing frustration. I don't think the final response letter that led to the referral to the Financial Ombudsman dealt with all the things M was complaining about. And I think he was left feeling like his concerns weren't fully understood. Based on what I've seen, while I appreciate H&T had previously taken steps to support M through his financial difficulties, for the reasons given in my provisional decision, I still think £250 compensation is fair in the round.

My final decision

My final decision is that I uphold this complaint and direct Harvey & Thompson Limited trading as H&T Pawnbrokers to pay M £250. And to the extent it's not done so already, it should also respond to the SAR.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 4 July 2024.

Simon Wingfield
Ombudsman