

The complaint

Mr E complains Carfinance247 Limited (CF247) led him to believe he'd been approved for car finance via a Personal Contract Purchase (PCP) prior to the application being declined. Mr E's also unhappy CF247 completed hard credit searches with multiple lenders without his approval.

What happened

On 12 November 2023, Mr E applied to finance the purchase of a car through an application to a lender via broker CF247.

On 14 November 2023, Mr E's account manager advised him the initial lender had declined his application, however there was another lender they could go to. Mr E expressed concerns about multiple hard searches being completed against his credit file.

The account manager expressed they would need to conduct one additional hard search, this being the reason for asking prior to approaching the second lender. Mr E agreed for the second application to proceed. Later that day, Mr E's account manager told him the finance was all approved.

On 20 November 2023, Mr E advised CF247 he'd sold his previous car and had put a non-refundable deposit down on his new vehicle however as the funds from the finance had not come through, he was unable to complete the purchase.

On 21 November 2023, CF247 advised Mr E his second application had been declined by the lender.

Mr E complained to CF247 at this point, explaining he'd put a non-refundable deposit down on his new vehicle and didn't want any further hard searches being completed against him. However, he was advised a further hard search had already been done.

On 22 November 2023, CF247 confirmed they'd found a lender that had approved Mr E for a Hire Purchase (HP) agreement.

Following the provision of some further requested documentation, the lender paid out the funds on 24 November 2023. Mr E collected his new car the following day.

On 4 January 2024, CF247 provided Mr E their final response to his complaint. They acknowledged they should've waited for confirmation from the lender before their account manager conducted the validation call and they should've been clearer the application status could've still changed. CF247 upheld this element of the complaint and paid Mr E £100.

But they said they couldn't find any evidence there was a delay in requesting documents from him throughout the application process and said the reason for the original agreements declining would need to be raised directly with the lenders.

Mr E remained unhappy so referred his complaint to our service. One of our investigators looked into things but he didn't think CF247 needed to do anything more than they'd already

done.

As Mr E disagreed with our Investigator's view, this complaint has been passed to me to decide.

I sent both Mr E and CF247 my provisional decision on 10 December 2024. I explained I'd reached a different outcome to that of our Investigator. In my provisional decision I said:

'I'm aware I've summarised this complaint in far less detail than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every detail to be able to reach what I think is the right outcome reasonable in the circumstances of this complaint.

I also want to acknowledge Mr E's request for compensation. I understand he's asked for the cost of his loan agreement to be paid to him. This isn't something I'm going to ask CF247 to do. Mr E took receipt of a new car, and this would've had to be financed one way or another. It wouldn't be fair for me to ask the business to pay the total amount of that back to him.

I understand the type of finance Mr E ended up with, this being a HP agreement, wasn't how he set out to purchase the car but ultimately, he did choose to proceed, and he will own the car at the end of the agreement, despite this not being what he set out to do.

Mr E has also requested compensation for specific things such as a ruined holiday and car hire, as well as a sizable amount of compensation for the stress the matter has caused him.

I won't be awarding compensation for specific costs, instead my award will be what I consider fair to reflect the overall impact of CF247's failings on Mr E.

CF247 acknowledge Mr E was incorrectly told his application to the second lender had been approved so this isn't in dispute, rather the impact of this incorrect information on Mr E and what CF247 have done to put things right is.

The information provided by CF247 prompted Mr E to proceed with the sale of his existing car and to put a non-refundable deposit down on his new car.

I've listened to the call made by the account manager on 14 November 2023. Mr E is clearly told it was good news and that the lending had been all approved. The account manager told him about his monthly repayments before again confirming it had all been approved.

After this call Mr E was contacted by another advisor who told him they needed to go through some important information regarding his finance agreement so that he could go and collect his new vehicle. The advisor confirmed a credit reference agency check had been passed and she went on to conduct a further security check which was also passed.

I'm satisfied nothing in any of the calls to Mr E indicated anything other than that the finance had been approved, and I think his actions to proceed with the sale of his car and to secure the new car he was purchasing by putting down a deposit were reasonable, given the information he'd been provided.

I can understand, to then be told on 21 November 2023, the finance had been declined would have caused Mr E a great deal of distress. He found himself without a car and having

had put down a considerable amount of money.

Mr E was clear at this point he didn't want any further hard searches completed against his credit file but was advised another search had already been done.

I've considered CF247's position that the terms and conditions Mr E entered into allowed them to complete further searches, but I must also consider what had already happened up to this point.

After the first application was declined, Mr E clearly told his account manager he didn't want further hard searches against him being completed and that he would not be continuing with CF247. He was told it would only be one extra search and this is why he was being asked beforehand as the search would have to be completed for an application to another lender to be made.

Ultimately, Mr E agreed to proceed but it ought to have been clear to CF247 that following the second application being declined, Mr E had already expressed he did not want further hard searches completed against his name.

Despite having sold his car and put down a deposit on a new one, Mr E again advised CF247 he didn't want any further hard searches to be completed, however he was told a further search had already been done.

With the reluctance for multiple hard searches being the main reason for Mr E wanting to end his attempt to secure finance via CF247, knowing a further search had already been completed, I can understand why he felt he had to then proceed with a further application.

Mr E was eventually offered finance albeit via a HP agreement as opposed to a PCP agreement he originally set out to obtain. I understand Mr E is unhappy this was the case, but he did choose to go ahead with the agreement and I've no guarantee he would've been able to obtain his desired form of finance elsewhere.

Prior to the funds being released the lender required more documents and information. Mr E says this ruined the whole first day of his holiday and no doubt added to the distress and inconvenience he'd already been caused up until that point.

I can't hold CF247 responsible for the lender asking for additional documents and I've seen nothing to suggest the finance being agreed was at risk, rather the pay-out going ahead depended on the documents being provided. Neither have I seen any substantial delays being caused as a result of CF247's lack of action. But this could be in part because of Mr E's persistence in chasing the matter.

CF247 have paid Mr E £100 but I don't think this is fair and reasonable in the circumstances to put things right.

It's clear from the contact notes provided, Mr E was pro-active in chasing CF247 and this clearly highlights the distress the matter was causing him.

In summary, CF247 told Mr E he'd been approved for finance on 14 November 2023 which wasn't actually the case until 22 November 2023 after further applications to alternative lenders had been completed. During this time the incorrect information led to Mr E selling his existing car and putting a sizable non-refundable deposit down on a new car.

I'm satisfied this alone would have caused Mr E a great deal of distress and inconvenience, having been told so clearly the finance was all approved.

CF247 then completed a further hard search against Mr E's credit file despite him previously making it clear multiple hard searches on his credit file was something he didn't want to have, and him having been told he would be asked first prior to further searches being completed. CF247 ought to have been aware he'd clearly expressed he didn't want to proceed and as such should have communicated with him prior to doing so.

Finally, following the approval of the new finance, Mr E had to chase completion of the agreement multiple times while away from his home in order to ensure he could collect his new car. Often after chasing he was asked to provide further additional documents. I'm satisfied this along with the additional hard credit search being completed prior to him being asked would've further added to the overall distress and inconvenience caused to Mr E.

So, I uphold this complaint and I think CF247 should pay Mr E an additional £650 bringing the total amount of compensation to £750.'

Both parties to this complaint responded. CF247 agreed to pay the additional compensation I'd set out, but Mr E said, whilst pleased a different outcome had been reached, he felt the compensation amount I'd proposed to award was incredibly low.

Mr E said the HP agreement, which he feels he was forced into accepting so as not to lose his deposit, will ultimately cost him over £8,000 more in interest than the agreement he was led to believe he was approved for. In addition, he said the additional searches conducted by CF247 had a negative impact on his credit file, meaning other lenders were not prepared to provide him the same deals as they were prior.

Mr E believes an amount of £15,000 would be a more reasonable compensation figure however, that as a minimum, he should be awarded £8,000 which would cover his losses.

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 both parties for taking the time to respond to me so quickly and I'm sorry to hear Mr E doesn't feel my provisional decision goes far enough to put things right.

As I explained in my provisional decision, I understand a HP agreement wasn't Mr E's preferred choice of finance however he did choose to proceed when, whilst I recognise it wouldn't have been ideal, ultimately, he could've have sought finance via a PCP for the vehicle via another lender.

Mr E says the HP agreement will end up putting him at a financial disadvantage in comparison to the original agreement offered. However, the original application wasn't approved by the lender, so it wasn't a deal he could've ever obtained, or that I think can reasonably be used as a cost comparison against the finance he went on to take out.

Regarding the negative impact Mr E says the additional searches carried out had on his credit file. While I'm not questioning Mr E might've received subsequent offers of credit on worse terms than he may have expected to receive, he was declined for finance by the first two lenders CF247 approached.

Further, the first lender CF247 applied to, declined Mr E's application after conducting further checks. This was prior to the any previous searches CF247 had conducted against him. I can only reasonably conclude this was due to other factors the lender deemed a risk and as such decided not to lend.

In summary, I've seen nothing to satisfy me Mr C was rejected for finance or offered worse terms either solely, or at least in part, as a result of CF247's actions.

When sharing my provisional decision with Mr E, I signposted a link to our website which sets out examples of awards we might make for distress and inconvenience. It's those guidelines I've kept in mind when reaching my findings.

And while I recognise CF247's failing caused Mr E considerable distress and inconvenience, for the reasons explained in my provisional decision and above, I remain satisfied a total of £750 compensation to be paid by CF247, is fair and reasonable in the circumstances of this complaint. As such I won't be asking CF247 to pay a further increased amount.

Putting things right

To put things right, I direct CF247 to pay Mr E a further £650, bringing the total amount of compensation paid to £750.

If CF247 Limited haven't already paid the initial £100 they should ensure a total of £750 is paid to Mr E.

My final decision

My final decision is that I uphold this complaint and direct Carfinance247 Limited to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 17 January 2025.

Sean Pyke-Milne
Ombudsman