

The complaint

Mr F complains about how Harvey & Thompson Limited (trading as H & T Pawnbrokers) dealt with his loan application, and about related issues.

What happened

In October 2022, Mr F visited a branch of H&T to apply for a loan. He brought with him two items of gold jewellery as pawns, and asked for two separate loan contracts. H&T tested both items for their gold content by exposing them to acid. It is not in dispute that these tests were carried out without Mr F's consent, and that both items of jewellery were damaged by the acid.

Mr F complained about the tests being carried out without his consent and the resulting damage. He said the tests were unnecessary, and that they gave the wrong results (he insists that the jewellery was 18 carat gold). He also complained that over the course of his hour-long visit, H&T had led him to believe that the loans would be granted, only to decline them; he says the branch staff strung him along and artificially raised his hopes. To obtain evidence to support these claims, he asked H&T to provide its CCTV footage of his visit. H&T refused to do that, and so Mr F complained about that as well.

H&T upheld Mr F's complaint about testing his jewellery without his consent and damaging it. It offered to discuss compensation with Mr F, but he did not wish to because he had lost confidence in them. So instead, H&T agreed to repair the jewellery, which was done (at a cost to H&T of £190).

H&T did not agree with Mr F's other complaint points. It said that it was necessary for it to test how much gold is in jewellery for the purpose of valuing it, and said that its tests are accurate. It had not committed to offering him a loan, and it had been necessary to ensure that its lending criteria were met before deciding whether to lend. The CCTV footage contained other several customers, so this would not be shared.

Mr F raised this complaint with our service. He also raised the CCTV issue with the Information Commissioner's Office (ICO). The ICO upheld his complaint about that.

H&T offered to pay Mr F £50 compensation for having inconvenienced him.

Our investigator did not uphold this complaint. He said it was reasonable for a pawnbroker to want to test the gold content of gold items before accepting them as pawns. He agreed that Mr F's items had been damaged, and that they should not have been tested without his consent, but he thought that by repairing them H&T had done enough to put things right. He said that declining a loan was a commercial decision which H&T was entitled to make. He declined to comment on the CCTV issue, because it had already been considered by the ICO.

Because Mr F didn't agree, this case was referred for an ombudsman's 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.

Having done so, I think that H&T's offer of £50 (together with repairing the jewellery for free, which has already happened) is a fair resolution to this complaint. I will explain why.

I am satisfied that it is entirely reasonable of a pawnbroker to want to find out the gold content of a proposed pawn before making a lending decision. A pawnbroker does not have to take a customer or potential customer's word about that, although I'm also satisfied that Mr F gave his estimate in good faith. As for whether the test was accurate, I have no way of assessing that (but I would observe that just because the result was not what Mr F was expecting does not necessarily mean that the test was flawed). I therefore cannot safely conclude that the test yielded an inaccurate result.

As it is not in dispute that H&T should have obtained Mr F's express consent to carry out the test and failed to do so, I need make no findings about that other than to decide what would be a fair remedy for it. The jewellery has been repaired, and I think that £50 for Mr F's trouble is fair and is in line with what our service would typically award. So I think that H&T has done (or offered to do) enough to put things right, on the basis that H&T will pay Mr F £50 (if he desires).

It is for each lender to decide for itself what its own lending criteria are to be, and to assess on the information available to it whether those criteria have been met or not. So I am not in a position to say that H&T should have granted Mr F's loan applications. I think that H&T was willing to lend to him in principle, but subject to its assessment. It's a shame that he had to wait a while for that decision, but that does not mean that he had a legitimate expectation that he was going to get a loan in the meantime; he had to wait for the outcome of the tests and for the final loan decision to be made.

I am not going to comment about the CCTV issue. I don't think I need to do so to resolve the other issues, and as an issue in its own right it is rather too far removed from the provision of a financial service to fall within my remit. (But even if I took a different view about that, Mr F already has the decision of the ICO on that matter, and so I would not have found it necessary to add my own opinion.)

My final decision

My decision is that I think that Harvey & Thompson Limited has made a fair offer to put things right, and I do not require it to do anything else. I will leave it to Mr F to decide whether he wishes to accept H&T's offer of £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 5 June 2024. But apart from that, this final decision brings our involvement in this matter to an end.

Richard Wood
Ombudsman