

The complaint

Miss C complains that CA Auto Finance UK LTD, trading as FCA Automotive (“FCA”), lent to her irresponsibly when it provided her with a hire purchase (HP) agreement that she says she couldn’t afford.

What happened

Miss C took out a hire purchase agreement with FCA in February 2019. This was to finance the purchase of a nearly new vehicle.

Miss C says that she couldn’t afford the borrowing and that FCA shouldn’t have lent to her. She says the lending caused her debts to spiral.

Miss C complained to FCA but FCA didn’t uphold her complaint. It said it didn’t do anything wrong when it lent to Miss C.

Miss C didn’t agree, so she brought her complaint to this service. Our investigator didn’t think Miss C’s complaint should be upheld. Again, Miss C didn’t agree, so her complaint has been passed to me to make a final 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.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I’ve taken that into account when I have considered Miss C’s complaint.

Having done so, I have come to the same conclusion as our investigator.

FCA needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss C could afford to repay what she was being lent in a sustainable manner.

Certain factors might point to the fact that FCA should fairly and reasonably have done more to establish that any lending was sustainable for Miss C. These factors include things like understanding Miss C’s income, the total amount Miss C borrowed, and the length of time Miss C had been indebted.

I have reviewed what our investigator found, and I cannot see any errors in his assessment. Miss C earned around £1,230 net a month. FCA says its checks showed no negative markers on her credit file – so she had no arrears, County Court Judgments or bankruptcies. FCA was able to verify Miss C’s income and she was present on the Electoral Roll. It noted

that she was relatively highly indebted but considered that as she was replacing an existing hire purchase agreement and the increase in payments for the new agreement was very low - £22 a month – it was satisfied that Miss C could afford the agreement.

FCA couldn't provide a copy of the checks it completed so I can't tell with any certainty that its checks reflected what it has told this service. And, in any case, I think that given FCA noted Miss C's relatively high indebtedness FCA ought to have done more understand Miss C's financial circumstances.

However, although I don't think FCA completed sufficient checks, it doesn't automatically mean that I should uphold Miss C's complaint. I have to establish whether, if FCA had completed the checks, it would have reasonably acted in the same way and still lent to Miss C.

I can't know for certain what other checks FCA would have done. There is no prescriptive list of checks a business must do. In the absence of any other evidence, I think it's reasonable to rely on Miss C's bank statements to understand her financial circumstances at the time. Our investigator reviewed those statements and took into account Miss C's income and other deposits, her essential expenditure and her credit commitments elsewhere. Our investigator noted that Miss C had two payday loans, which can sometimes indicate financial difficulty. However, our investigator also noted that these had been paid off by a separate loan and took the repayment amounts for that into consideration.

Having done so, our investigator concluded that the extra £22 a month for Miss C's new HP agreement was affordable. I have reviewed these figures and agree with that assessment.

Following our investigator's view, Miss C responded with further information, including bank statements from September 2016 to April 2018. But these were from far earlier than the HP agreement application and I don't think it would be proportionate for FCA to be expected to have looked this far back. It was much more important they looked at her recent finances. Our investigator responded, explaining why this didn't make a difference to their view. Miss C responded further, highlighting her expenditure and a pay day loan she took out a month after the HP agreement.

The bank statements did not reveal anything which our investigator hadn't already considered. And as the payday loan had been taken a month after the HP agreement, FCA couldn't reasonably have been expected to take that into account when it made its lending decision.

So, on the basis of the information available to me, I don't think FCA acted unfairly when it lent to Miss C. Although it didn't do reasonable and proportionate checks I am satisfied that even if it had done it wouldn't have seen anything to conclude that the lending was unaffordable for Miss C. So I don't think Miss C lost out as a result of anything FCA did wrong.

My final decision

I do not uphold Miss C's complaint. It follows that CA Auto Finance UK LTD, trading as FCA Automotive does not need to do anything further.

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

Sally Allbeury
Ombudsman