

## **The complaint**

Mr S is complaining about Volkswagen Financial Service (UK) Limited trading as Volkswagen Financial Services (VWFS). He says they shouldn't have lent to him as the loan was unaffordable.

## **What happened**

In July 2022, Mr S took out a hire purchase agreement with VWFS, to finance the purchase of a van. He paid a deposit of £1,000 and borrowed £17,136 - the cash price of the vehicle was £18,136. The agreement required him to make 60 monthly repayments of £352.01.

In January 2023 Mr S complained to VWFS saying his personal financial situation hadn't been taken into account when he'd been provided with finance. He said when buying the van he'd told an adviser that he was unemployed and that he was planning to use the vehicle to start a new business. Mr S also said the van hadn't been fit for purpose – but this element has already been dealt with by VWFS and by our service under a separate complaint.

In response to Mr S's complaint, VWFS said Mr S had told them he was living with his parents at the time of the agreement and was paying £100 a month in rent. And they said he'd told them he'd been working in retail as a manager for four years. VWFS also said they'd reviewed Mr S's credit file. They said he had two active credit cards, with a total balance of around £700, and a live mobile phone contract, but no other lines of credit and no late payments or other adverse markers. VWFS said they weren't present when Mr S had a conversation with the retailer and so can't comment on what was said – they added that Mr S had signed his agreement which had his employment status on it.

Mr S remained unhappy so he brought his complaint to our service. He said he hadn't told anyone he was working for a retailer – and said he didn't think VWFS had checked his finances and personal situation sufficiently to ensure he'd be able to make the repayments.

One of our investigators looked into the matter but didn't uphold it. She said she didn't think VWFS had done proportionate checks. But she said if they had done proportionate checks they'd have seen the agreement was affordable for Mr S.

Mr S rejected our investigator's view. He said if VWFS had checked his income they'd have seen he'd been paid by a different organisation than the employer shown on his agreement. And he said VWFS never asked for any income or expenditure so didn't know what his disposable income was. He asked for a decision and the complaint's been passed to me.

## **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, and acknowledging it'll be disappointing for Mr S, I'm not upholding his complaint – I'll explain why.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without

having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

*Did VWFS carry out proportionate checks?*

VWFS said they'd checked Mr S's credit file – which gave them no cause for concern. And they noted Mr S had been employed for four years as a manager in retail, with minimal housing expense. On that basis they thought the agreement would be affordable for Mr S.

CONC 5.2A.15R requires a firm to take reasonable steps to determine or make a reasonable estimate of the customer's current income unless the firm is able to demonstrate that it's obvious in the circumstances that the customer is able to make the repayments. VWFS haven't said they thought it was obvious that Mr S would be able to make the repayments. And Mr S was borrowing over £17,000 and needed to make monthly repayments of over £350 for the next five years. So I'm inclined to say VWFS should have taken steps to ascertain Mr S's income.

*If VWFS had carried out proportionate checks, what would they have found?*

VWFS could have looked at Mr S's payslips or bank statements to check his income. If they had, they'd have seen that in both May 2022 and June 2022 he'd earned around £1,600. But the business that had paid him was different from the employer stated on his finance agreement.

I'd expect this to have raised questions and led VWFS to ask more questions about Mr S's employment. Mr S says he was unemployed at the time he took out the loan from VWFS. But he was planning to work as a delivery driver. And he planned to use the van to do so. It's unlikely Mr S was planning to earn less from his self-employment than he had been from his employment (in a similar role). So I'm satisfied if VWFS had asked him, he'd have told VWFS he expected to have at least the same level of income.

Alternatively, VWFS could have asked Mr S what his income was and/or used Credit Reference Agency tools to verify his income. Either way, I think they'd have arrived at roughly the same figure. There's no regulation that says a business can't lend to someone moving from employment to self-employment.

Given that Mr S was living with his parents and paying only a nominal amount to do so, it would have been reasonable for VWFS to decide that the loan was affordable – although the repayments were high at around £350 per month, Mr S had income of £1,600, and very little in the way of credit commitments and non-discretionary expenditure.

So although I'm not satisfied VWFS carried out proportionate checks, I'm satisfied that if they had, they'd have been able to fairly decide to lend to Mr S. I appreciate Mr S has struggled to make the necessary repayments, but from what I've seen that's because of unforeseeable circumstances rather than because the loan wasn't affordable. On that basis I can't uphold Mr S's complaint.

**My final decision**

As I've explained above, I'm not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 November 2023.

Clare King  
**Ombudsman**