

Complaint

Mr D complains that Go Car Credit Limited (“Go Car Credit”) unfairly entered into a hire purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

Background

In September 2019, Go Car Credit provided Mr D with finance for a used car. The purchase price of the vehicle was £10,600.00. Mr D paid a cash deposit of £200, received a part-exchange value of £4,000.00 for his existing vehicle and took out a hire purchase agreement with Go Car Credit for the remaining £6,400.00.

The loan had interest and charges of £6,410.00 (consisting of interest of £6,400.00 and an option to purchase fee of £10) and a 48-month term. This meant that the total amount to be repaid of £13,810.00 (not including the deposit) was due to be repaid in 48 monthly instalments of £266.88.

Mr D complained that the agreement was unaffordable and so should never have been provided to him. Go Car Credit didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

Mr D’s complaint was considered by one of our investigators. She didn’t think that Go Car Credit had done anything wrong or treated Mr D unfairly. So she didn’t recommend that Mr D’s complaint should be upheld. Mr D disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr D’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr D’s complaint. I’d like to explain why in a little more detail.

Go Car Credit needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Go Car Credit needed to carry out proportionate checks to be able to understand whether any credit could be repaid by Mr D before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Go Car Credit says it agreed to this application after Mr D provided details of his monthly income. It says it also carried out credit searches on Mr D which showed Mr D had historic defaults and one County Court Judgement ("CCJ") recorded against him. Furthermore, Go Car Credit says that it combined this information with an income and expenditure assessment that it completed with Mr D and bank statements which it obtained from him. And all of this information showed that these payments were affordable.

On the other hand, Mr D says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr D and Go Car Credit have said. The first thing for me to say is that this wasn't simply a case of Go Car Credit relying on what Mr D said at face value before deciding to lend to him. It obtained a quite a bit of information from Mr D while considering the application.

Mr D has pointed out he did have a history of difficulties with credit. I agree that he did. But I don't think that this meant that Go Car Credit should have simply assumed that he wouldn't be able to make his payments here. Nonetheless, I do think that it was prudent for Go Car Credit to obtain further information from Mr D in the way that it did.

Having considered the information Mr D provided to Go Car Credit about his finances at the time, this appears to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

As Mr D was self-employed, Go Car Credit reviewed his income over an extended period in order to ascertain his average earnings. I don't think that that was unreasonable. I accept it's possible that Mr D's circumstances might have worsened. For example, in the affordability questionnaire he has provided, Mr D has said that he had a drop in wages after the agreement was taken. I know the impact of the events of 2020 had a profound effect on the self-employed.

But a lender is only able to make a decision based on what it has, or at the very least is proportionate for it to have. So while I do appreciate that it might have proved more difficult for Mr D to make his payments than he'd anticipated, particularly given the unprecedented situation which unfolded globally shortly after the agreement was provided, the crucial thing here is that I don't think that, at the time, Go Car Credit could have known that this would happen, or that it could have factored this into its consideration of whether to lend to Mr D.

Overall and having carefully considered everything, I'm satisfied that Go Car Credit's checks before entering into this hire purchase agreement with Mr D did go far enough. As the checks showed that the payments were affordable, I'm satisfied that it wasn't unreasonable for Go Car Credit to provide these funds, or enter into this agreement with Mr D.

This means I don't think that Go Car Credit acted unfairly or unreasonably towards Mr D and I'm not upholding this complaint. I appreciate that this will be disappointing for Mr D. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 February 2024.

Jeshen Narayanan
Ombudsman