

Complaint

Mr G complains that Metro Bank PLC unfairly entered into a hire-purchase agreement with him in November 2015.

Amongst the things he's unhappy with is he thinks that the monthly payments were unaffordable; he's unhappy that the commission paid to his dealer wasn't disclosed to him; and he's unhappy at demands for payment that he's received.

Metro Bank PLC is answering this complaint as the finance was provided by a company that it has taken responsibility for since Mr G entered into his agreement – Vehicle Credit Limited (Vehicle Credit"). For ease of reference, I will refer to Vehicle Credit through the course of this decision.

Background

In November 2015, Vehicle Credit provided Mr G with finance in order to facilitate his purchase of a used car. The purchase price of the vehicle was £6,726.00. Mr G didn't pay a deposit and took out a hire-purchase agreement with Vehicle Credit for the entire purchase price.

The agreement had an APR of 50.67% and a term of 48 months. The total charge for credit of £7,209.23 was made up of interest of £6,185.23, a product fee of £999 and an option to purchase fee of £25. All of this meant that the total amount to be repaid of £13,935.23, was due to be repaid 47 monthly instalments of £289.79 and a final instalment of £315.10.

Mr G's complaint was considered by one of our investigators. She didn't think that Vehicle Credit had done anything wrong or treated Mr G unfairly. So she didn't recommend that Mr G's complaint should be upheld. Mr G 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.

Having carefully thought about everything, I'm not upholding Mr G's complaint. I'd like to explain why in a little more detail.

Mr G has made a number of allegations regarding Vehicle Credit's conduct throughout its dealings with him. I've started by looking at Mr G's concerns regarding the affordability of his agreement.

Did Vehicle Credit irresponsibly provide Mr G with an unaffordable hire-purchase agreement?

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 G's complaint.

Vehicle Credit needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Vehicle Credit needed to carry out proportionate checks to be able to understand whether Mr G could sustainably make the monthly repayments to this agreement before entering into it with him.

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.

Vehicle Credit says it agreed to this application after Mr G provided details of his income and expenditure. It says it also carried out credit searches on Mr G and had copies of bank statements. And when the repayments to Mr G's existing commitments plus Mr G's living expenses were deducted from his monthly income the repayments for this agreement were still affordable. On the other hand, Mr G says he was always going to struggle to make the payments to this agreement as they were unaffordable.

I've thought about what Mr G and Vehicle Credit have said.

The first thing for me to say is that this clearly wasn't a case of Vehicle Credit simply accepting what it was told by Mr G. Vehicle Credit not only carried out a credit check but Mr G was also asked to provide information to support what he'd said during his income and expenditure declaration.

The information Mr G provided about his income and expenditure does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Mr G appears to be suggesting that his actual circumstances weren't fully reflected in the information Vehicle Credit obtained. I also accept that Mr G had had previous difficulties with credit, which meant that it was reasonable to expect Vehicle Credit to apply greater scrutiny to his application.

That said, Vehicle Credit obtained copies of Mr G's bank statements. And this didn't show anything to suggest that the income and expenditure assessment was wholly out of kilter, or more importantly that there was some other obvious reason why Mr G shouldn't have been lent to.

Furthermore, I should also explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I don't think that Vehicle Credit could possibly be expected to have known that the payments to this agreement were unaffordable bearing in mind the information provided.

Overall and having carefully considered everything, I'm satisfied that Vehicle Credit carried out reasonable and proportionate checks, which showed the monthly payments were affordable, before entering into this agreement with Mr G.

So I'm satisfied that Vehicle Credit didn't act unfairly when deciding to lend to Mr G.

Mr G's comments regarding the sales process

Mr G has made a number of allegations regarding being pressured into taking out an unsuitable agreement.

I've considered Mr G's arguments regarding being pressured. But in order to uphold his complaint on this basis, I'd need to be satisfied that Mr G was pressured to the extent that Vehicle Credit (or the dealer) effectively left him in a position where he had no choice other than to go ahead with this vehicle purchase and this agreement.

I'm afraid that I'm not persuaded that this was the case here – particularly as the approval process for the loan took some time. Mr G had to provide documentary evidence to support his application and ended up with a vehicle of his choosing. Indeed, I have difficulty accepting that Mr G couldn't simply have halted the process or refused to provide requested documents, which he would have had to obtain after the initial discussions about the vehicle, if he genuinely didn't wish to go ahead with the purchase.

Mr G also says that the interest, product fee and option to purchase fee weren't explained to him. It's not entirely clear what it was about these fees and charges Mr G believes should have been explained. But I wouldn't expect a broker to proactively go through each and every facet of an agreement before a customer signs it. I've been provided with a copy of Mr G's hire-purchase agreement, which appears to have his signature on it.

The agreement clearly sets out that the total charge for credit is £7,209.23 and this is made up of interest of £6,185.23, a product fee of £999 and an option to purchase fee of £25. Given the prominence of this information within the agreement, I simply don't think it was reasonable for Mr G not to have noticed these fees and charges before he signed the agreement. So if Mr G was unsure, or unhappy, about these fees or charges and wanted an explanation on them, he should have asked for this at the time.

Furthermore, as Mr G signed the agreement and concluded the transaction, I can only assume that he was happy, at the time at least (I accept that he's clearly unhappy now), to proceed on these terms. I don't think the fact that he didn't make the payments under the agreement changes this.

I've also seen that Mr G has referred to his agreement being unsuitable and that other alternative options weren't discussed with him. Again it's unclear what other options Mr G believes should have been discussed with him, or what other options he believes might have been more suited to his circumstances, as he hasn't elaborated upon this. Indeed, it seems to me that Mr G's arguments regarding suitability relate to whether the agreement was affordable.

I've already explained why I think that Vehicle Credit was reasonably entitled to conclude that Mr G would be able to make his monthly payments. So I've not seen anything here which persuades me that Mr G's agreement was unsuitable for him.

Did Vehicle Credit unfairly pay an undisclosed commission to Mr G's broker for introducing him?

Mr G believes he should be paid all of the undisclosed commission that his broker received from Vehicle Credit for introducing his business.

However, Vehicle Credit has explained that it didn't pay any commission to the broker for bringing about Mr G's hire-purchase agreement. It says that the terms of Mr G's hire-

purchase agreement meant that the broker didn't qualify for a commission payment in this instance. It has also provided information to support this being the case.

In this instance, I'm satisfied that the records Vehicle Credit has provided indicate that it is more likely than not that it didn't pay the broker commission for introducing Mr G and bringing about his hire-purchase agreement.

So overall and having considered everything, I don't think that Vehicle Credit did pay Mr G's broker commission and I'm not upholding this part of Mr G's complaint either.

Vehicle Credit's actions once Mr G began missing payments

It isn't in dispute that Mr G got in arrears, as far back as early 2016. Once a lender is told, or it realises, that a borrower is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations. Part of this process is getting an understanding of a customer's situation and ability to bring their account up to date.

So I don't think that Vehicle Credit contacting Mr G about his payments in these circumstances in itself amounts to undue pressure or was unfair or unreasonable.

I can also see that Vehicle Credit accepted a number of partial payments and attempted to arrange a number of payment plans to bring Mr G's account up to date. So I think that it would be inaccurate to say that Vehicle Credit didn't try to help Mr G. However, all of these arrangements were only ever meant to be temporary.

And I don't think it would have been fair, reasonable or proportionate for Vehicle Credit to continue ignoring Mr G's obvious and apparent difficulty, or the fact that the agreement might have become demonstrably unsustainable for him, indefinitely. So I would have expected Vehicle Credit to have taken corrective action by recovering the vehicle in the way that it did in late 2016.

After all while terminating an agreement, recovering a vehicle and recording a default or other adverse information, might be viewed negatively by other lenders, it does limit the customer's indebtedness. Particularly as vehicles typically depreciate over time and the less a lender is able to recover for a vehicle the less a customer's balance will correspondingly reduce.

Furthermore, whilst I realise that Vehicle Credit's decision will have been very disappointing to Mr G, I'm satisfied it was fair and reasonable for Vehicle Credit to begin the process of terminating the agreement in late 2016. As this is the case and Mr G wasn't able to take steps to repay what was owed, or reach a suitable arrangement to repay what was owed within a reasonable period of time, I'm satisfied that Vehicle Credit was entitled to take possession of the vehicle and record any adverse information it did.

Finally, I've seen that Mr G is unhappy with more recent communications he's received regarding his outstanding balance. However, Vehicle Credit, as it was entitled to, sold Mr G's account to a third-party debt purchaser some time ago. The debt-purchaser is a regulated firm in its own right responsible for its own correspondence and steps to recover the amount of the outstanding balance.

The correspondence Mr G has received, which he's unhappy about and which he's provided us with copies of, have been sent on behalf of the debt purchaser. As this is the case, Mr G will need to direct any concerns he has about this correspondence or the actions about the debt purchaser's representative to the debt purchaser in the first instance. I cannot hold

Vehicle Credit responsible for another regulated firm's actions and therefore don't think it acted unfairly in relation to this matter.

Overall and having considered everything, I have not been persuaded to uphold Mr G's complaint. I appreciate that this will be very disappointing for Mr G – particularly in light of his current financial position and the length of time it has taken for his complaint to reach this stage. But I hope that he'll understand the reasons for my decision and at least feel that his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 September 2023.

Jeshen Narayanan
Ombudsman