

## **Complaint**

Mr A 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 November 2019, Go Car Credit provided Mr A with finance for a used car. The purchase price of the vehicle was £6,295.00. Mr A paid a deposit of £200 and took out a hire purchase agreement with Go Car Credit for the remaining £6,095.00. The loan had interest and charges of £6,105.00 (consisting of interest of £6,095.00 and an option to purchase fee of £10) and a 48-month term. This meant that the total amount to be repaid of £12,200.00 (not including the deposit) was due to be repaid in 48 monthly instalments of £254.17.

Mr A 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 A’s complaint was considered by one of our investigators. He didn’t think that Go Car Credit had done anything wrong or treated Mr A unfairly. So he didn’t recommend that Mr A’s complaint should be upheld. Mr A 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 A’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr A’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 lending was sustainable for Mr A 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 A provided details of his monthly income. It says it also carried out credit searches on Mr A which had shown Mr A was up to date with his open commitments, had historic defaults and missed payments but didn't have any County Court Judgements ("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 A and bank statements which it obtained from him. And all of this information showed that these payments were affordable. On the other hand, Mr A 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 A 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 A said at face value before deciding to lend to him. It obtained a quite a bit of information from Mr A while considering the application. While Go Car Credit says that there was no issue with Mr A's recent payment history, given defaults on the credit file provided, I do think that it was prudent to request further information from Mr A.

Having considered the information Mr A 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.

Mr A says that he provided business statements at the time of his application after he wasn't accepted on basis of the information on his personal statements. It is my understanding that this was because Mr A declared that he was employed but there wasn't a wage from this employer. So Mr A's declaration of income in relation to his employment wasn't accepted and instead Mr A's business statements were requested to support that he was the director of the company that he was receiving dividends from.

Mr A says he wasn't paying himself a wage at the time. I don't know if he was or whether he was even supposed to be making transfers from his business account to his personal account in the way that he was. Nonetheless what I have to consider here is that there were regular payments from Mr A's business account to his personal account. And as Mr A was the company director, it was reasonable for Go Car Credit to take this into account. Particularly as, at the very least it appeared as though, this was Mr A's main source of revenue and these funds were being used to meet the expenditure on his personal account.

Furthermore, from what I can see on Mr A's personal statements which include what has been described as dividend payments from his company and what looks to be his regular spend, he did appear to have the funds to make the monthly payments. Equally, as this supplemented what Mr A declared during the income and expenditure phone call with Go Car Credit and the information suggested that the payments were affordable, I don't think that it was unreasonable for it to have lent.

Overall and having carefully considered everything, I'm satisfied that Go Car Credit's checks before entering into this hire purchase agreement with Mr A 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 A.

This means I don't think that Go Car Credit acted unfairly or unreasonably towards Mr A and I'm not upholding this complaint. I appreciate that this will be disappointing for Mr A. But I

hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

I note that Mr A has referred to being owed money for repairs, carried out to the vehicle, by the company that sold him his car, before it went out of business. But I can't see that this is a matter that he has ever raised with Go Car Credit. If Mr A believes that this is a matter that Go Car Credit is responsible for this is a matter he'll need to take up with it.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 18 December 2023.

Jeshen Narayanan  
**Ombudsman**