

## **The complaint**

Miss F is complaining about Go Car Credit Limited (GCC). She says they shouldn't have lent to her because the repayments weren't affordable.

## **What happened**

In January 2020, Miss F took out a hire purchase agreement with GCC to finance the purchase of a car. She paid no deposit and borrowed £5,495 – the cash price of the vehicle. The agreement required Miss F to make 36 monthly repayments of £267.40. Miss F first missed a payment in May 2021. She made up the missed payment over the months that followed but her payments became more erratic after that.

Miss F complained to GCC in January 2023, saying they hadn't carried out enough checks at the point of sale to ensure the agreement was affordable for her.

In response, GCC said they had performed a creditworthiness assessment before deciding to lend to Miss F. They said they'd done a credit check which showed all open accounts were up to date at the time of the application apart from one defaulted account which had a balance of £71. There were two county court judgments (CCJs) against Miss F from 2018 which totalled £1,383. GCC said they'd also confirmed Miss F's personal circumstances – she'd been with her employer for three years and had been at her address, as a council tenant, for five years.

GCC were happy with the above so went on to conduct an income and expenditure assessment. They said they checked Miss F's income to bank statements, payslips and benefit letters and calculated this averaged around £1,915. GCC said Miss F told them her monthly expenditure totalled around £1,115. Using a £300 buffer, GCC determined Miss F had available income of around £500 so the monthly repayments of £267.40 ought to be affordable for her.

In summary, GCC said they'd taken reasonable and proportionate steps to ensure the agreement was affordable for Miss F so they weren't upholding her complaint.

Miss F remained unhappy so she brought her complaint to our service. She said she had high levels of credit at the time of the lending decision and wasn't making payments towards any of these. She added that her bank statements showed she had little money left over at the end of each month and spent impulsively. So she said the lending was irresponsible as it led to her levels of debt increasing further.

One of our investigators looked into the complaint but didn't uphold it. She said she thought GCC had done reasonable checks and fairly determined that the agreement was affordable for Miss F.

Miss F rejected our investigator's view. She disagreed with the figures our investigator had used for income, and said GCC hadn't asked for payslips or bank statements or any other documents – they'd only asked for her income and expenditure. Miss F also said she had a young child at the time and was pregnant with a second and had over £15,000 in debt. She asked for an ombudsman's decision – and it's come 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 recognising it'll be disappointing for Miss F, I'm not upholding her complaint. My reasons are broadly the same as our investigator's – I'll explain below.

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 GCC carry out proportionate checks?*

GCC said they carried out the following checks:

- reviewed Miss F's credit file;
- checked her income to bank statements, payslips and benefits documents; and
- asked Miss F about her expenditure and calculated that she had around £500 available from which to make repayments.

Although Miss F said GCC hadn't asked her for bank statements, payslips or other documents, GCC have provided us with Miss F's bank statements from the three months before the agreement – so I'm satisfied they did obtain these. I can't see that they obtained payslips or benefits documents but bank statements can provide a more complete picture of income and expenditure so I can't say they needed to get any other proof of Miss F's income.

Whether or not these checks were proportionate depends on various factors, including the size and length of the loan, the cost of credit, and what the checks showed. GCC haven't provided a copy of the credit file they looked at, so I've reviewed the one Miss F provided. This shows that at the time of the lending, Miss F had two CCJs, totalling £1,383, a default in relation to water bills, with a balance of £1,552, and a default with a debt collector in relation to telecommunications with a balance of £240.

None of the defaults and CCJs had occurred within the six months prior to the lending decision. So there were indicators that Miss F had been in financial difficulties, but less so in the recent months.

Miss F says she had debts of around £15,000 including £6,000 in council tax arrears and £1,400 rent arrears at the time of the agreement but I haven't seen any evidence of these. And although she says they were disclosed to GCC at the time, I can't see that on any of the documentation available – so it's difficult to say GCC should have been aware of these.

Having said that, GCC checked Miss F's income and asked her what her expenditure was. CONC allows a firm to use a customer's estimate of their expenditure when carrying out an assessment of affordability. So I can't say GCC acted unreasonably in doing so. And if Miss F didn't include the payments she needed to make for council tax and rent when telling GCC what her expenditure was I can't say that GCC should have factored this in to their calculations.

I've reviewed the bank statements available to GCC to check whether there were any other indicators that the repayments might be unaffordable. I can see Miss F's income from employment and benefits was regular if somewhat variable. But on average in the three months prior to the loan, it was around £1,950, similar to the figure GCC calculated. The bank statements also show Miss F had a large number of transactions both in and out of her account. Many of these were personal transfers, to and from Miss F's other bank accounts, and to and from other individuals. But I can't say that should have been a cause for concern for GCC. I haven't seen any particular indicators from the bank statements that Miss F would struggle to make repayments for this loan agreement – for example, they show Miss F had significant levels of discretionary expenditure at the time. This is consistent with Miss F's testimony that she spent impulsively.

In summary, I can't see that any of the checks GCC carried out or any of the information they obtained should have prompted them to do more checks or to decide not to lend to Miss F. I'm satisfied the checks they did were proportionate.

*Did GCC make a fair lending decision?*

GCC carried out a full income and expenditure assessment using income they'd checked to Miss F's bank statements and expenditure figures Miss F gave them. After deducting a buffer of £300 they calculated that Miss F had available disposable income of £500 per month. On that basis I'm satisfied it was fair and reasonable for them to decide the monthly repayments of £237.40 were affordable for Miss F and therefore I'm satisfied they made a fair lending decision.

### **My final decision**

As I've explained above, I'm not upholding Miss F's complaint about Go Car Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 9 November 2023.

Clare King  
**Ombudsman**