

The complaint

Mr P complains that Go Car Credit Limited (“Go Car”) lent to him irresponsibly through a hire purchase agreement to acquire a car.

What happened

Mr P acquired a car through a hire purchase agreement with Go Car in late 2021. In June 2022 he contacted Go Car to complain that the agreement was no longer affordable, that Go Car hadn’t carried out adequate checks on his credit file or explained the agreement and terms properly to him during his application, and he felt it was irresponsible lending.

Go Car responded but didn’t uphold the complaint. They said they had checked his application, including listening to the recorded phone calls, and were satisfied that they had fairly assessed his affordability at the point he took out the agreement and explained the agreement clearly and correctly.

Unhappy with this response, Mr P brought his complaint to our service in July 2022. We informed Go Car of this and shortly afterwards they came back with an offer to resolve things by taking the car back with nothing further to pay and ensuring no adverse information appeared on Mr P’s credit file.

When an Investigator here was appointed to review the case, they asked Mr P about the offer from Go Car. He said he didn’t want to accept it, as he felt he should get all of his payments back and if he just gave the car back, he wouldn’t be able to afford another car as he’d paid them over £3,000 towards this one by that point.

The investigator proceeded to investigate the case and did not uphold it. They said that having reviewed his credit file, they had no concerns with Go Car lending to him on that basis, and they had listened to the recorded calls of the interview about affordability and were satisfied that the agreement was affordable when it was taken out, and had been explained correctly to Mr P.

They felt Go Car had carried out proportionate checks, which showed the lending to be affordable to Mr P at the time, and so they did not uphold the case. They also said that they felt Go Car’s offer to take the car back with nothing further to pay was more than they could recommend, and they weren’t sure if this offer was still available.

Mr P responded to say he didn’t agree with this assessment and that there were numerous errors with the investigator’s view around his income, his circumstances and his outgoings and asked for an Ombudsman to make a final decision. The investigator explained some of the figures they had quoted and provided the phone call recordings held with Mr P for the application, as well as the hire purchase agreement which detailed the income and expenditure he had declared.

Mr P didn’t agree with this and confirmed he wanted a final decision made by an Ombudsman. Shortly after this, he contacted our service to ask if Go Car would still be prepared to honour their previous offer to take the car back with nothing further to pay. He

felt with the other financial problems he was suffering it would be more sensible for him to resolve things this way and close the complaint with our service.

The investigator contacted Go Car to ask if they were prepared to do this, but after checking the mileage of the vehicle, they explained that they were no longer prepared to honour the offer which was by then several months old. So, the case has proceeded to a final decision.

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, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr P was supplied a car through a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Go Car complete reasonable and proportionate checks to satisfy itself that Mr P would be able to repay the credit in a sustainable way?

a. if so, did Go Car make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Mr P could sustainably repay the borrowing?

2. Did Go Car act unfairly or unreasonably in some other way?

Did Go Car complete reasonable and proportionate checks to satisfy itself that Mr P would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are under the CONC guidelines, but I'd expect lenders to consider things such as the amount, duration and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Go Car have provided the recordings of the phone calls during which the application was arranged. Mr P discussed his family and that he had a partner and 6 children. Mr P was asked for details of his income and confirmed that his income was made up of various benefits, including ESA, Carers allowance, Housing benefit, PIP, and child benefit. He listed the various benefits he received and the amounts.

There were also discussions during these calls about his partner, and the possibility of making a joint application for credit. Mr P confirmed she didn't believe in taking out credit and would not take any out and had her own income and outgoings.

I say this because Mr P has told us when asking for a final decision that some of the benefits

were not paid to him, but to his partner. Mr P was very clear on the phone calls that the income he disclosed was his, and his partner had her own income but was not prepared to consider a joint application, so I don't give weight to the argument that these benefits were in fact not his income at the time.

Mr P has suggested that Go Car should have verified his income through bank statements, but I'm not persuaded this was necessary. The regulations say that proportionate checks should be undertaken, and they don't require any specific type of check to be carried out. I'm satisfied Go Car carried out a proportionate check.

Alongside this, the likelihood is that bank statements could still have shown these payments coming in, even if some were in fact being paid for his partner, not himself. Mr P clearly disclosed these as benefits he was in receipt of as his own income, so I am satisfied it was fair for Go Car to use this figure as his income.

He then went through the expenditure for his household, and after initially saying that he paid some of the bills and his partner paid others, he then accepted it would be better to consider all the bills as half paid by him, and half by his partner. A detailed discussion followed about rent, council tax, utility bills, broadband/tv/phone bill, insurances, food, and other outgoings.

They then discussed motoring costs, and Mr P confirmed he had a car already which he was giving or had given to his partner. He then confirmed the insurance costs for the car he was looking to acquire, petrol costs, and agreed with the average car maintenance costs Go Car discussed, as well as the costs to tax the vehicle.

Mr P has also told us when bringing the complaint to our service that he had gambling problems which he didn't think to mention to Go Car at the time. However, in the call, the advisor at Go Car asked for Mr P's expenditure on things like drinking, smoking, or gambling, and he said he didn't drink, didn't smoke, and didn't gamble. On this basis, I think Mr P could have disclosed any gambling issues he had to Go Car, for them to consider this as part of his application.

The advisor from Go Car then discussed the credit accounts showing on his file, which included unsecured loans for mobile phones which Mr P explained were for his children and paid back to him by the children. There was also a budget account discussed including payments to it.

At the end of this process, the advisor said that Mr P had a disposable income of around £709 per month, and then explained that meant the maximum payment for a car that Mr P would be approved for was around £410 a month, as they would leave a buffer of around £300 per month to cover future increases in things like utility bills or other unexpected costs.

Mr P discussed the fact that he felt that this was underestimating his disposable income and talked about it being more like £1,100 per month in reality. But Go Car confirmed the figure of around £410 per month as the maximum monthly payment they would accept on a finance agreement.

I am satisfied that this was a fair assessment of Mr P's income and expenditure.

Mr P has said that the details on his credit file were not correct, and he had several other debts that should have been considered. However, he hasn't provided any evidence of these and they don't appear on the credit information Go Car have provided to us to show Mr P's situation at the time of application. He mentioned previous cases with our service would show his circumstances, but I haven't seen any details in any complaint with our service that

would fit the timeframe of this application or cause any concern here.

Alongside this, Go Car have confirmed the details of historic defaults on his credit file from between 2015 and 2020. But Go Car confirmed in their call with Mr P that they were a specialist lender who try to help customers with issues on their credit file, so whilst they were aware of Mr P's historic defaults, I don't think that alone should have prevented them from lending to Mr P.

If Mr P felt there were any missing credit agreements when discussing his credit report, he had the opportunity to discuss them with Go Car when they went through his credit report with him. Mr P didn't raise any further credit he felt he had at the time, and I've seen no evidence of any.

Overall, I am satisfied that Go Car carried out reasonable and proportionate checks to satisfy themselves that Mr P would be able to repay the credit in a sustainable way.

Did Go Car act unfairly or unreasonably in some other way?

I've seen no evidence of this, and Mr P hasn't raised any other issues which would suggest this. I am satisfied that Go Car explained the agreement correctly to him and sent him all the relevant paperwork to review after the telephone interview. He feels the credit checks and affordability assessment they carried out were flawed and unfair, but based on the evidence I've seen, as discussed above, I don't agree with this.

I empathise with Mr P and the financial difficulties he has said he is now suffering from. His circumstances would seem to have changed since he took out the car finance agreement and this has meant he's ended up in financial difficulties.

But I can't agree that Go Car have done anything wrong or lent to him in an irresponsible way here. I believe Mr P still has the car, so I would encourage him to discuss things with Go Car credit to deal with that and the arrears now. I remind Go Car credit of their duty under FCA guidelines to treat Mr P with forbearance. But I won't be asking them to do anything more than that.

My final decision

I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 July 2023.

Paul Cronin
Ombudsman