

## **The complaint**

Mr W complains CA Auto Finance UK LTD trading as CA Auto Finance UK was irresponsible when it provided him finance for the purchase of a car. Mr W says he couldn't afford the credit he was given.

## **What happened**

Mr W entered into a car finance agreement with CA Auto in April 2023, the price of the car was £24,995. Mr W paid a deposit of £1,500 and so CA Auto lent Mr W £23,495. The total repayment due under the agreement was £32,361.40. The term of the agreement was 60 months with monthly instalments of £514.19 for 59 months and £524.19 for the last month with the option to purchase.

Mr W struggled to keep up with his repayments and as I understand it CA Auto has terminated the agreement and the car has been returned.

Mr W complained to CA Auto about the lending, but it didn't uphold his complaint as it didn't think it had done anything wrong. Mr W referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator didn't think CA Auto's checks were sufficient but concluded that sufficient checks would likely have shown Mr W could afford the repayments on his agreement. So, our investigator didn't recommend that the complaint should be upheld.

Mr W disagreed, he said he had a car finance agreement on another car at the time and had three different employers in the three months before the agreement started. Mr W also says his expenses exceeded his income and proper checks would have shown he shouldn't have been given further credit.

## **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.

CA Auto will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We've set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don't think it is necessary to set it all out in this decision.

In summary, CA Auto needed to ensure Mr W could afford the make repayments on the agreement when it fell due throughout the term of the agreement. The relevant rules and regulations don't prescribe what checks need to be carried out, but the checks need to be reasonable – taking into account the specific circumstances of the consumer. CA Auto needed to carry out reasonable and sufficient checks to satisfy itself Mr W could afford the repayments.

CA Auto has provided Mr W's application at the time and from what I can see he declared he was employed with an income of £3,186. It also searched Mr W's credit file and the results showed Mr W had three active credit accounts – his current account overdraft with a limit of £1,600 but had no outstanding balance at the time, a car finance agreement with a monthly payment £237 and an insurance loan with a monthly payment of around £139. There was no adverse information such as county court judgements (CCJs) or defaults recorded on Mr W's credit file.

I think CA Auto should have not only taken Mr W's declaration of his income but should have looked to verify this. I also think in these circumstances bearing in mind the length of the agreement and the total sum repayable, CA Auto should have been curious about Mr W's monthly living costs as well. Overall, I don't think CA Auto's checks went far enough.

Just because I think CA Auto's checks were insufficient doesn't necessarily mean it lent irresponsibly. I've to think about whether sufficient and reasonable checks would likely have shown Mr W couldn't afford the repayments.

Mr W has provided copies of his bank statements for the three-month period before the agreement started and from what I can see Mr W received income from employment in those months. In January 2023, Mr W received around £2,216, in February around £2,842 and in March around £2,058. Mr W's actual income was less than the £3,186 declared on his application.

I also considered Mr W's living expenses and Mr W lived with parents for a period of time and then he said he moved to live with his partner and her mother. The bills for the household were in his parents or partner/her parents' name. I accept Mr W contributed to the household bills and I'm also mindful that his total credit commitments from the results of his credit file was around £376, this included the repayment on a previous car finance agreement. Taking Mr W's known credit commitments, the repayment of £515.19 towards this agreement, he would have been left with over £1,000 to contribute towards bills and other expenses, based on the income on his bank statements.

I think in the circumstances sufficient checks will likely have shown Mr W could afford the repayments on his agreement and CA Auto in the circumstances hasn't provided credit when it shouldn't have.

Mr W has said he was vulnerable at the time and was pressured into taking the finance agreement by his ex-partner. Mr W has also said he was unable to keep a job which was why he received income from three employers around the time. I'm sorry to learn of Mr W's difficulties as I can imagine it would have been unsettling and I sympathise with him. My role requires me to consider what CA Auto knew or ought reasonably to have known. I can't see CA Auto was aware of the pressure Mr W refers to here or that there was anything that ought to have made it aware of this. There was also nothing within the information CA Auto saw that should have alerted it to Mr W being unable to stay in a job. I'm also mindful this wasn't information Mr W provided to CA Auto and it is unlikely to have become aware of this from reasonable checks.

As stated above, the customer focussed checks CA Auto is required to carry out aren't prescribed, it needs to demonstrate reasonable checks in the particular circumstances of the consumer. I think reasonable checks here would have needed CA Auto to go further to understand Mr W's income and living costs as well. But I think even if CA Auto had carried out reasonable checks like I think it should have, it would likely have found that Mr W could afford the credit and so I don't think it has treated Mr W unfairly.

**My final decision**

For the reasons given above, I don't uphold Mr W's complaint or make any award against CA Auto Finance UK Ltd trading as CA Auto Finance UK.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 June 2024.

Oyetola Oduola  
**Ombudsman**