

Complaint

Mr M 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 2018, Go Car Credit provided Mr M with finance for a used car. The purchase price of the vehicle was £6,995.00. Mr M paid no deposit and took out a hire purchase agreement with Go Car Credit for the entire £6,995.00.

The loan had interest, fees and charges of £7,005.16 (consisting of interest of £6,995.16 and an option to purchase fee of £10) and a 48-month term. This meant that the total amount to be repaid of £14,000.16 was due to be repaid in 48 monthly instalments of £291.67.

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

Having carefully thought about everything I've been provided with, I'm not upholding Mr M'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 could be repaid by Mr M 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 M provided details of his monthly income which was verified with copies of payslips. It says it also carried out credit searches on Mr M which had shown Mr M had historic difficulties with credit. Furthermore, Go Car Credit says that it combined this information with an income and expenditure assessment that it completed with Mr M. And all of this information showed that these payments were affordable.

On the other hand, Mr M 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 M 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 M said at face value before deciding to lend to him. It obtained a quite a bit of information from Mr M while considering the application.

As Mr M has pointed out he did have a history of difficulties with credit, but I don't think that this meant that Mr M's previous difficulties with credit meant that Go Car Credit should simply have assumed that he wouldn't be able to make his payments here. Nonetheless, given what it saw on the credit searches it carried out, there is a reasonable argument for saying that it would have been reasonable and proportionate for Go Car Credit to have found out more about Mr M's actual regular living expenses.

In order to consider what finding out more about Mr M's actual regular living expenses is likely to have shown, I've considered the information Mr M has provided about his circumstances at the time. To be clear, I've not carried out a forensic analysis of the bank statements provided in order to determine whether the loan payments were affordable for Mr M. I've simply considered what Go Car Credit is likely to have done if it obtained the information it is arguable it should have obtained - Mr M's actual regular living costs - here.

I say this because this information provided does appear to show that when Mr M's 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.

It's clear that any difficulty Mr M would have making his payments wasn't to do with his committed expenditure, it was to do with his gambling. I accept it's possible – but by no means certain - that if Go Car Credit had obtained Mr M's bank statements it may have chosen not to lend to him because of this.

However, as obtaining bank statements wasn't the only way for Go Car Credit to find out about Mr M's actual regular living expenses, I'm not persuaded that any gambling is particularly relevant here – this is particularly as Mr M received a vehicle (which he couldn't gamble) rather than cash funds. Therefore, I'm not persuaded that Go Car Credit carrying out further checks here, in the way that it is arguable it should have done, would have resulted in it making a different lending decision in this instance.

Overall and having carefully considered everything, I'm satisfied that proportionate checks are unlikely to have shown that Go Car Credit that it shouldn't have lent to Mr M. So I'm satisfied that it wasn't unreasonable for Go Car Credit to provide these funds, or enter into this agreement with Mr M.

This means that I don't think that Go Car Credit acted unfairly or unreasonably towards Mr M and I'm not upholding this complaint. I appreciate that this will be disappointing for Mr M. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 February 2024.

Jeshen Narayanan
Ombudsman