

Complaint

Mrs J complains that Go Car Credit Limited ("Go Car Credit") unfairly entered into a hire-purchase agreement with her. She's effectively said that the payments to the agreement were unaffordable and so it therefore shouldn't have been provided to her.

Background

In May 2019, Go Car Credit provided Mrs J with finance for a used car. The cash price of the vehicle was £6,995.00. Mrs J didn't pay a deposit and applied for finance to cover the entire amount needed for the purchase.

As a result she entered into a 48-month hire-purchase agreement with Go Car Credit. The loan had interest, fees and total charges of £5,606.00 (comprising of interest of £5,596.00, and an option to purchase fee of £10), and the total amount to be repaid of £12,601.00 was due to be repaid in 48 monthly instalments of £262.53.

When it investigated Mrs J's complaint Go Car Credit didn't uphold it and as Mrs J remained dissatisfied she referred the matter to our service. Mrs J's complaint was then considered by one of our investigators. He didn't think that Go Car Credit had done anything wrong or treated Mrs J unfairly. So he didn't recommend that Mrs J's complaint should be upheld.

Mrs J 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 Mrs J's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Mrs J'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 Mrs J could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Go Car Credit carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 it completed an income and expenditure assessment on Mrs J. During this assessment, Mrs J provided details of her monthly income which it verified against copies of wage slips which were requested.

Go Car Credit says it also carried out credit searches on Mrs J which showed some previous adverse credit information and outstanding balances. But when the amount Mrs J already owed plus a reasonable amount for Mrs J's living expenses, based on what she completed on an expenditure declaration, were deducted from her monthly income the monthly payments were still affordable.

On the other hand, Mrs J says that these payments were unaffordable.

I've thought about what Mrs J and Go Car Credit have said.

The first thing for me to say is that I don't think that the checks Go Car Credit carried out did go far enough. Go Car Credit's searches showed that Mrs J had had previous difficulties with credit. In my view, Go Car Credit needed to take further steps to verify Mrs J's actual living costs, given what the credit search showed in order for its checks to have been proportionate.

As Go Car Credit didn't carry out sufficient checks, I've gone on to decide what I think Go Car Credit is more likely than not to have seen had it obtained further information from Mrs J. Bearing in mind what the credit search showed, the length of time of the agreement and the amount of the monthly payment, I would have expected Go Car Credit to have had a reasonable understanding about Mrs J's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs J has provided us with. And having done so, this information does appear to show that when Mrs J's committed regular living expenses and existing credit commitments are deducted from her monthly income at the time, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I appreciate that Mrs J's circumstances changed for the worse after she was provided with the finance. I know what's been said about it being the case that both Mrs J and her husband's employment were significantly affected by the onset of the pandemic. However, my consideration here has to be limited to what Go Car Credit knew or what I think it could reasonably be expected to know at the time. I cannot allow hindsight to affect my decision.

I don't think that Go Car Credit could have known that the pandemic would happen, or that it would have such an unprecedented effect when it entered into this agreement with Mrs J in May 2019. So while I accept that Mrs J's ability to repay this agreement was undoubtedly affected by the pandemic and I'm sorry to hear that Mrs J found it difficult to make her payments, I don't think that these are matters, I can take into account when assessing whether Go Car Credit made a fair lending decision, as Go Car Credit can't have foreseen this or taken it into account when conducting its affordability assessment.

Overall and having carefully considered everything, while I don't think that Go Car Credit's checks before entering into this hire-purchase agreement with Mrs J did go far enough, I'm

satisfied that carrying out reasonable and proportionate checks won't have prevented Go Car Credit from providing these funds, or entering into this agreement with her.

I'm therefore satisfied that Go Car Credit didn't act unfairly towards Mrs J when it agreed to provide the funds and I'm not upholding this complaint. I appreciate that this will be very disappointing for Mrs J. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 26 June 2024.

Jeshen Narayanan
Ombudsman