

## The complaint

Mr G complains that Volkswagen Financial Services (UK) Limited ("VW") approved a hire purchase agreement which wasn't affordable for him.

## What happened

In October 2022, VW provided Mr G with an agreement for a used car. The cash price for the vehicle was £39,749 and Mr G paid a £3,250 deposit – which was the trade in value of his vehicle as well as a contribution by the dealer. £36,499 was financed and if Mr G paid the hire purchase agreement in line with the credit agreement, then he would've repaid a total of £47,426.07. This was to be repaid through 48 monthly repayments of £519.84 followed by a final payment of £19,213.75.

The statement of account provided by VW showed that up to June 2024, Mr G had made his payments as expected. However, I do note that Mr G recently told us that he was seeking help from an independent debt advice charity.

VW issued a final response letter about Mr G's complaint in May 2024, and it didn't uphold it because it considered that it fairly assessed the agreement as being affordable. Mr G then referred the complaint to the Financial Ombudsman.

Mr G's complaint was considered by an investigator who in her assessment didn't uphold the complaint. She said that while VW had an understanding of Mr G's income and credit commitments it didn't know about his everyday living costs and so should've asked about them.

Mr G had provided his bank statements in the months leading up to the agreement being granted which the investigator looked at. But even if VW had reviewed these, the investigator concluded VW would've likely concluded the agreement was affordable.

Mr G disagreed and I've summarised his responses below.

- VW can't show that it carried out an affordability assessment.
- Mr G's bank statements included payments that weren't considered by the investigator including catalogue shopping accounts and child maintenance payments.
- At the time the agreement was entered into Mr G's credit accounts were "...maxed..." and he had a high credit utilisation.
- Mr G's wife was moving significant sums of money into the account to help pay for the bills.
- Just using Mr G's income the agreement wasn't affordable as his outgoings were greater.
- Mr G had recently taken on £3,000 loan and had exceeded his overdraft limit several times.
- Mr G provided copies of his credit file and other bills such as council tax and utilities – which showed these were in arrears.
- Mr G has explained he had another complaint reviewed by the

Financial Ombudsman about a credit account that was upheld at around the same time that this agreement was entered into and the payments were smaller than this agreement.

The investigator considered Mr G's comments and she didn't change her mind. As no agreement could be reached the complaint has been passed to me to decide.

### **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.

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 G's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Mr G's complaint. I'd like to explain why in a little more detail.

VW needed to make sure that it didn't lend irresponsibly. In practice, what this means is that VW needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr G 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.

Firstly, I understand that Mr G has had an upheld complaint about finance that he had around the time this agreement started – and so I've inferred from that Mr G thinks as that complaint was upheld it should therefore follow this complaint should also be upheld.

My role is to assess the complaint on its own individual merits, and so there are times, such as here, where complaints that appear to be similar can and will lead to different outcomes. There isn't anything unusual about that. And an outcome on another complaint doesn't create a precedent that I'm bound to follow. I am required to come to a fair and reasonable outcome based on the individual circumstances of a complaint while taking account of any relevant industry guidance and regulation.

In this complaint, I've thought about the checks VW did do, whether it needed to do additional checks and then what it may have seen had it made better checks. I'm mindful that this was the first agreement with it and Mr G had approached VW for a car and so was seeking finance to purchase it.

It's also worth bearing in mind that for this agreement, VW would've been entitled to rely on the information Mr G provided and what it found out from its checks unless the results of those checks suggested there were inaccuracies.

VW says that it conducted a number of checks, including what it calls a number of "scorecards". VW says that Mr G's risk band was such that the agreement was "*auto-approved*."

VW discovered that Mr G was in full time employment and VW's income check with a credit reference agency suggested a monthly income of at least £2,782 and Mr G was a private tenant with rent of £750 per month. It doesn't seem that any other checks were made into the other day to day living costs Mr G had. But with a repayment amount of just under £520 each month, it looked as if Mr G had plenty of headroom to be able to afford his rent, the car and living costs.

As I said above, VW conducted a credit search before granting the agreement and it has provided a copy of the results that it received. I've considered these results to in order to see whether VW was given any indication that Mr G was, or was likely to be, having financial difficulties at the time the agreement was granted. So, while Mr G has provided a copy of his credit file, in the circumstances its fair and reasonable to consider the information VW received and used when making its affordability assessment.

Based on the credit file information VW has provided there was no adverse information reported on the credit file such as defaults, missed payment markers or County Court Judgements. But it did know that Mr G had at least 12 active credit accounts owing just over £20,000 of debt.

The credit file showed that the credit Mr G had was being well maintained and so I do think it was reasonable that VW believed that the loan could be affordable for him. It also seems from the credit check results that VW was aware of the £3,000 loan Mr G mentioned in response to the assessment.

I appreciate, the loan may have appeared affordable to VW but I don't think that conclusion could be fairly reached when it seems Mr G's actual everyday living costs weren't considered – which given the monthly repayment and term ought to have been something VW investigated further. Like the investigator, I do think that before the loan was approved, VW needed to, at the very, least understand what Mr G's actual monthly outgoings were.

It could've gone about doing this a number of ways, it could've simply asked Mr G about his living costs were, asked for evidence from Mr G about his bills, or any other documentation it felt it may have needed. Or, as I've done here reviewed the bank statements Mr G has provided. This didn't, and doesn't mean that, VW had to undertake a full financial review of Mr G's circumstances, merely it just needed to obtain a better idea of what his living costs were.

Mr G says the credit accounts were only up to date as he was borrowing money from family and his wife was transferring money into the account. But, it's not likely that VW would've been aware of these loans, even if it had reviewed the bank statements.

It is also worth saying here that had bank statements been reviewed, with Mr G's salary as well as benefits his income was broadly in line with what VW used for its affordability assessment. But there are of course, additional payments that have been received from Mr G's wife.

Had VW reviewed Mr G's bank statements – or gathered other information about his living costs, it would've likely discovered he had a significant number of direct debits and standing orders each month – to a number of different credit providers, and other costs you would expect to see for someone in rented accommodation. There were also child maintenance costs, and all of these costs in October 2022 came to around £1,700 per month. In September 2022 these costs were slightly more at nearer £2,000 and this seems because there were other creditors in that month for example buy now pay later accounts.

Of course, on top of this were other costs that Mr G had such as food, petrol and bank charges. But I also have to consider that based solely on Mr G's income the agreement potentially may have looked unaffordable given the costs in his account.

But I also can't ignore that Mr G's wife was moving funds into the account. And so it's not unreasonable to conclude that had VW undertaken further checks it would've likely discovered that Mr G's wife was making a contribution towards the households living costs and these weren't solely the responsibility of Mr G.

But given what I've said above about VW not needing to conduct a forensic review of his bank statements – I do think had VW made some enquiries with Mr G about his living costs it would've likely concluded, on balance, that the finance was affordable for him.

I can also see from the copy bills Mr G has provided they do show that he was in arrears with his council tax as well as his utilities. However, the missed council tax payment occurred after the agreement was entered into and so VW wouldn't have known about it.

The utility company shows that by December 2022 Mr G had significant arrears on the account – however, that wasn't reflected in the credit file data and wouldn't have been apparent in the information VW may have discovered.

I fully accept that Mr G may have not been in the best financial position when he took the agreement with VW but even if further checks were carried out – given the limited nature of those checks and what VW may or may not have done, I can't fairly say that it would've discovered the agreement was unaffordable.

So even if VW had made better checks, it still would've thought it was reasonable to have advanced this agreement. I am therefore not upholding the complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think VW lent irresponsibly to Mr G or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

An outstanding balance remains due and I would remind VW of its regulatory obligation to treat Mr G fairly and with forbearance with discussing the repayment of the agreement.

### **My final decision**

For the reasons I've outlined above, I am not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 November 2024.

Robert Walker  
**Ombudsman**