

The complaint

Miss G complains that Stellantis Financial Services UK Limited trading as Vauxhall Finance was irresponsible in its lending to her. She wants a financial settlement.

What happened

Miss G was provided with a conditional sale agreement by Vauxhall Finance in May 2020 to finance the acquisition of a car. The agreement had a 60-month term and required monthly repayments of around £130. The total amount repayable under the agreement was just over £8,000.

Miss G said that she was working part time when she applied for the finance and the repayments weren't affordable. She said that Vauxhall Finance didn't carry out appropriate checks to ensure the lending was affordable and she ended up in arrears on the agreement and it was passed to a debt collection agency. Miss G has explained this situation has affected her mental health as she worried about how to make her repayments.

Vauxhall Finance issued a final response to Miss G dated 16 February 2024. It said that before lending it carried out a credit check which showed Miss G had a small loan outstanding that she was managing well and an overdraft. It gathered information about Miss G's circumstances and said she was living with parents and had minimal outgoings. It said that based on its checks there were no affordability concerns.

Miss G referred her complaint to this service.

Our investigator noted that at the time of the application, Miss G declared she was working with an annual income of £8,760 and that she was living with parents. He requested evidence from Vauxhall Finance of the checks undertaken and as this wasn't provided, he said he couldn't say whether the checks were reasonable. Therefore, he considered what would have been identified through proportionate checks.

Our investigator thought that given the size of the loan, its term and interest rate that proportionate checks would include a credit check (which Vauxhall Finance had commented on) and verification of income. He didn't think that Vauxhall Finance was required to ask for copies of Miss G's bank statements, but he used these to assess what an income verification would have shown. He accepted that Miss G's bank statements showed her using her overdraft but said there were no returned payments and that her spending was discretionary rather than for costs such as housing or utilities. He noted the income into Miss G's account and thought it was reasonable that the agreement was considered affordable.

Miss G didn't agree with our investigator's view. She said her earnings didn't cover the cost of the repayments and had the correct checks taken place they would have shown this. She said she was utilising her full overdraft before the agreement was provided and was frequently in an unarranged overdraft.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman,

to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before providing the finance, Vauxhall Finance has said that it asked Miss G about her employment, income and residential status and carried out a credit check. Miss G said she was working with an annual income of £8,760 and was living with parents. Vauxhall Finance said its credit checks showed that Miss G had a small loan outstanding with monthly repayments of £34 and an overdraft and both were well managed. I do not find that the credit check raised concerns about Miss G's indebtedness or how she was managing her existing commitments. While based on the information gathered the agreement appears affordable, as Miss G had a low annual income and noting the size and term of the finance and the repayments required, I think it would have been reasonable for Vauxhall Finance to have verified Miss G's income.

Vauxhall Finance wasn't required to request copies of Miss G's bank statements but as I think some form of income verification should have taken place, I have used the information the statements contain to assess what would likely have been identified. Miss G's bank statements show that she was receiving income from different sources, with payments from work in January 2020 and then income from student related sources in the following months. Based on what I have seen, I think that had a verification of Miss G's income taken place it would have supported her declared income amount. Miss G said that she was living with parents and her bank statements do not show any payments for utilities or other such costs although I note she was making payments for student costs during some months. Taking everything into account, I do not find that an income verification would have raised concerns about the affordability of the finance for Miss G.

Miss G has said she was fully utilising her overdraft at the time and exceeding it on occasions. I can see this from her bank statements. However, I do not think that Vauxhall Finance was required to ask for copies of Miss G's bank statements. Vauxhall Finance was aware that Miss G was utilising her overdraft, but her credit report didn't raise concerns about this. Therefore, I think it reasonable the cost of the overdraft usage would be factored into the assessment, but I do not find this meant that the lending shouldn't have been provided.

I am sorry to hear of the difficult time Miss G has experienced and the impact this has had on her mental health. But based on the evidence Vauxhall Finance received through its checks and the additional information likely to have been identified through an income verification, I do not find I have enough to uphold this complaint.

I've also considered whether Vauxhall Finance acted unfairly or unreasonably in some other way given what Miss G has complained about, including whether its relationship with Miss G might have been unfair under Section 140A Consumer Credit Act 1974. However, for the

reasons I've already given, I don't think Vauxhall Finance lent irresponsibly to Miss G or otherwise treated her 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.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 8 January 2025.

Jane Archer
Ombudsman