

## **The complaint**

Ms H complains that Volkswagen Financial Services (UK) Limited trading as Volkswagen Finance (VWFS) was irresponsible in its lending to her. She wants all interest and fees she paid under the hire purchase agreement refunded along with statutory interest as well as compensation for the stress and inconvenience she has been caused.

Ms H is represented by a third party but for ease of reference I have referred to Ms H throughout this decision.

## **What happened**

Ms H was provided with a hire purchase agreement by VWFS in August 2018 to finance the acquisition of a car. Ms H made an advance payment of £500 and was then required to make 48 monthly repayments of £213.65 followed by a final repayment of £6,232.50. Ms H said that in the months leading up to the finance being provided she was struggling financially, and she didn't have sufficient disposable income to meet the repayments. She said that VWFS should have verified her financial circumstances before lending, and had it done so it would have realised the agreement was unaffordable.

VWFS issued a final response dated 4 December 2023. It said that when Ms H applied for the finance, she said she was employed and living with parents. It explained that Ms H's application was credit scored and an affordability assessment was undertaken based on the income Ms H provided. It didn't find that there was evidence to suggest the agreement was unaffordable for Ms H.

Ms H referred her complaint to this service.

Our investigator noted the checks that VWFS had carried out and thought that it would have been prudent for it to also verify Ms H's income and get a better understanding of her financial circumstances before lending. Therefore, he didn't think that proportionate checks had taken place.

Our investigator considered Ms H's bank statements to understand what VWFS would likely have identified had proportionate checks taken place. He noted Ms H's monthly net income as £1,232 and her regular payments for costs such as insurances, communications contracts, other bills and petrol were around £522. He thought this supported the VWFS repayments being affordable.

Ms H didn't accept our investigator's view. She said the information VWFS noted about her employment wasn't supported and that her earned income in the months leading up to the agreement averaged £489 a month. Based on this she said the agreement wasn't affordable.

## **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 the finance was provided, VWFS gathered information about Ms H's employment and residential status. While I note the comments Ms H has made about her employment, as part of her application she declared she was employed full time and had been with her employer for three months and she lived with her parents. A credit check was carried out which didn't raise any concerns about her indebtedness or how she had been managing her credit commitments. She had a balance of £990 recorded on her bank account showing she was using her overdraft (limit of £1,500) and her payment records for her accounts didn't show signs of financial difficulty.

While I do not find that Ms H's credit check raised concerns about her indebtedness or how she was managing her existing commitments, given the size of the borrowing, the term and the repayments required and noting that Ms H had recorded herself as recently starting a new job, I think it would have been reasonable for VWFS to have verified her income to ensure the lending was affordable.

Ms H has provided copies of her bank statements for the months leading up to the finance being provided. While I do not find that VWFS was required to request copies of these, I have used the statements to understand what would likely have been identified had further checks taken place. Ms H included her employer's name in her finance application; however, her bank statements do not show her receiving an income from that employer. This issue has been raised and Ms H said that she had secured a job with the employer which started in August 2018, and she told VWFS about this at the time.

As Ms H informed VWFS about her new employment, I do not find that it was unreasonable for this to be relied on. Ms H has provided evidence showing that her employment start date was 8 August 2018, and her income was £10.22 an hour and she was being employed on a 37 hour week. This would give a monthly gross income of around £1,600. VWFS recorded an estimated net monthly income based on its credit reference agency check of £1,054. Given the information Ms H gave to VWFS about her employment and noting the additional information she has provided, I do not find that further questions about Ms H's income would have suggested the £1,054 VWFS received as her estimated monthly income was unreasonable.

I also note that Ms H was a student before she started the new job and was earning income in the two months leading up to her securing her new role. Ms H said she was living with parents and had limited financial commitments. She was making use of her overdraft but was keeping within the limit. She was paying for insurances and communications contracts, as well as costs associated with having a car and her general living costs such as food, but I do not find that taking these costs into account, would suggest the agreement to be unaffordable. So, while I am sorry to hear of the difficult time Ms H has experienced, I do not find in this case I have the evidence to uphold her complaint.

I've also considered whether the business acted unfairly or unreasonably in some other way given what Ms H has complained about, including whether its relationship with Ms H might

have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think VWFS lent irresponsibly to Ms H 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 Ms H to accept or reject my decision before 6 February 2025.

Jane Archer  
**Ombudsman**