

The complaint

Ms M complains that Toyota Financial Services (UK) PLC ("TFS") irresponsibly lent to her when it agreed to provide finance for the purchase of two cars. She says TFS didn't carry out sufficient checks to make sure she could afford the borrowing.

What happened

Ms M entered into her first car finance agreement with TFS in March 2019, the cash price of the car was £11,940 and Ms M borrowed £11,667. The agreement was due to be repaid in 41 monthly instalments of around £166 with a final payment of £4,851 if Ms M wanted to keep the car. Ms M fully repaid the credit for this agreement in July 2022.

In June 2022, Ms M entered into a second credit agreement for the purchase of another car, this agreement was for the purchase of a car that cost £15,398 and the total repayable under the agreement was £16,664.47. The agreement was due to run for 42 months with 41 payments of around £173 and a final payment of £6,480 if Ms M wished to keep the car. Ms M has fully repaid the credit on this agreement.

Ms M complained to TFS through a representative about both decisions to lend. TFS considered Ms M's complaint but didn't uphold any part of her complaint. When the complaint was referred to the Financial Ombudsman Service, one of our investigators looked at the complaint and didn't recommend that the complaint be upheld.

Ms M's representatives disagreed and asked for an ombudsman's decision. Ms M's representative says her mortgage payments weren't being made in the months leading up to the second agreement and this suggests she couldn't afford it.

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.

TFS will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We've set out our general approach to these types of complaints - including all the relevant rules, guidance and good industry practice - on our website. So, I don't think it is necessary to set it all out in this decision.

In summary, TFS needed to ensure that Ms M could afford to make her repayments on the agreements when they fell due throughout the term of the agreements. The relevant rules and regulations don't prescribe what checks need to be carried out, but the checks need to be reasonable – taking into account the specific circumstances of the consumer. TFS needed to carry out reasonable and sufficient checks to satisfy itself Ms M could afford the repayments on both her agreements in a way that was sustainable.

First agreement in 2019

TFS has provided evidence to show before it agreed to lend for this agreement, it asked Ms M about her employment and homeowner status. It also carried out a credit check which it has provided the results of. Ms M was employed, and a homeowner and the credit check didn't reveal anything that was concerning.

I think given the long-term nature of this agreement, it would have been reasonable for TFS to ask Ms M about her income and living costs, in addition to her credit commitments it had seen. So, I don't think TFS did enough before agreeing to lend.

Even though I don't think TFS did enough before agreeing to lend that doesn't automatically mean it shouldn't have lent. I need to think about what it would likely have found had it carried out reasonable and proportionate checks.

Ms M has provided copies of her bank statements for the months before this lending was agreed and I can see that Ms M had steady income including benefit payments. In the three months was on average around £2,280 and I can see Ms M's living costs including things like housing, utility, food was around £2,180, this meant Ms M wasn't left with sufficient disposable income to make her monthly payments sustainably.

So, had TFS carried out reasonable checks it's likely to have found Ms M couldn't afford the borrowing. However, I note that this agreement had 0% interest attached to it, so Ms M's monthly payments were going towards repaying the capital borrowed and her use of the car. There were no further charges or interest payments were made. So even though I think TFS lent here when it shouldn't have, Ms M hasn't suffered any loss because of this agreement.

I won't be asking TFS to take any steps to put things right for this agreement.

Second agreement in 2022

TFS have provided evidence of the checks it carried out, it carried out two credit checks, one in February 2022 and another in June 2022. Both these checks showed Ms M was up to date on her credit commitments and there were no concerns about her struggling financially. TFS says it also had access to Ms M's bank statements, although the statements it has provided doesn't cover all the relevant period. So, it isn't clear if TFS carried out sufficient checks before lending here.

Ms M has provided relevant copies of her bank statements from the relevant period and from what I can see, Ms M's income had increased to around £4,230 and her living costs including mortgage payments were like what they were at the time of the first lending decision. Based on this, Ms M had enough income to repay the monthly repayments of around £173 towards this loan.

Ms M's representative have disagreed that this lending decision was reasonable as it says Ms M wasn't making her mortgage payments in the months before this decision to lend was made. However, there's no evidence to show Ms M was struggling with keeping up with her repayments. I can see Ms M had enough income in her account to make her mortgage payments and have funds left over. Further, the credit check by TFS at the time showed she wasn't in arrears on the mortgage. Based on that, I don't think Ms M was in financial difficulties with repaying credit. TFS' checks didn't show Ms M couldn't afford to make her monthly repayments and I'm not satisfied further checks would have shown she couldn't afford the repayments, so I don't think TFS wasn't wrong to lend here.

Having considered all the information on this case, while I think TFS shouldn't have lent the first time, Ms M hasn't suffered any loss as a result of this. TFS didn't lend unfairly when it agreed to lend to Ms M the second time. It follows I won't be asking TFS to take any steps to put things right.

Has TFS acted unreasonably in some other way?

I've also considered whether the lending 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 TFS lent irresponsibly to Ms M or otherwise treated her unfairly in relation to this matter. I also 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

Based on the above, I don't uphold Ms M's complaint or make any awards against Toyota Financial Services (UK) PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 9 April 2025.

Oyetola Oduola
Ombudsman