

The complaint

Miss H complains Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (VFSL) irresponsibly entered into a car finance agreement with her because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable for her.

What happened

Miss H entered into a hire purchase agreement with VFSL in June 2023 in order to acquire a used car. The cash price of the car was £17,618 and Miss H made an advance payment. Miss H was to pay 48 monthly payments of £324.36 followed by a final payment of £7,813.75. The total amount payable (including the option to purchase fee) was £23,745.03. Miss H struggled to make the repayments and agreed to voluntary termination in June 2024. She has explained she had to take out a loan to pay off the shortfall.

Miss H complained to VFSL in October 2024. She was concerned the lending decision had been irresponsible because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable. She was also concerned she hadn't fully understood the terms of the agreement or the implications of entering into this type of agreement. She said at the time she was a student and worked part-time in the hospitality industry.

VFSL responded to the complaint but didn't uphold it. It felt the checks carried out had been reasonable and proportionate. Based on the information obtained, it said the lending decision had been a fair one as the agreement seemed affordable for Miss H.

Miss H remained unhappy and asked our service to investigate. Our Investigator looked into things and explained why she felt the checks carried out had been reasonable and proportionate and that VFSL made a fair lending decision. Miss H didn't agree with our Investigator's findings. In summary, she said:

- At the time, she was a full-time student at university and not in full-time employment as VFSL assumed.
- She already had active debt and the interest rate of 12.3% was excessively high for the car she was purchasing.
- She never said she wasn't contributing to her household financially.
- She had to pay the deposit with a credit card which she is still struggling to pay off. The financial pressures only intensified after she sold the car and took out a loan to cover the shortfall. She was placed into further debt and this exacerbated her mental health problems. She is currently working minimum wage and has no disposable income.
- It is concerning VFSL didn't follow up with her after she raised her initial complaint. She felt she wasn't supported during this difficult time.
- She said when entering into the agreement she made the broker aware she struggled with her mental health and he was fully informed of this before the sale.

She said this ought to have warranted a more compassionate and thorough assessment of her financial situation and lending suitability.

Miss H has also provided some additional information including screenshots of payments made to her mother, her student finance application and bank statements.

As Miss H didn't agree, 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.

Our approach to complaints about irresponsible lending is set out on our website. There are some key questions I need to consider to decide what's fair and reasonable. This includes:

1. Did VFSL carry out reasonable and proportionate checks to ensure Miss H could sustainably afford the repayments?
 - If so, did it make a fair lending decision?
 - If not, what would reasonable and proportionate checks have shown?
2. Did VFSL act unfairly or unreasonably towards Miss H in some other way?

VFSL had to carry out reasonable and proportionate checks to satisfy itself that Miss H would be able to repay the credit sustainably. It's not about VFSL assessing the likelihood of being repaid, but it had to consider the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did VFSL carry out reasonable and proportionate checks to ensure Miss H could sustainably afford the repayments?

VFSL have provided confirmation of the application information it relied on at the time. This included information that Miss H was in full time employment, lived with her parents and didn't pay rent. It also had more specific details about her employment including her employer and time in occupation.

VFSL completed an affordability assessment and assessed Miss H's risk by using information from credit reference agencies (CRA). The information VFSL received from the CRA confirmed a net monthly income figure of £1,210. I am mindful Miss H has said she was a full-time student at the time and so couldn't have also been working full time, and she has provided her bank statements and a copy of her student finance application to show this.

I appreciate what she has said but I need to think about whether VFSL had a reason to question the information it had. I note on the agreement itself Miss H's occupation is noted as "*Professional – Other*" and her employer's name and address are also detailed. This was signed by Miss H. The information from the CRA was also independent information and VFSL can rely on this where appropriate. Weighing up all the information I have, I don't think VFSL needed to obtain any further information in relation to Miss H's income and could expect her to receive £1,210 net income per month in the circumstances.

VFSL also conducted a credit search which confirmed Miss H had six accounts with around £2,035 in active debt. This included one credit card with a balance of £1,037 and an overdraft with a balance of £998. She had no late payments within the last six years. Overall, the information indicated Miss H was managing her existing credit well and did not seem to be overindebted.

In addition to this, the application information VFSL had confirmed Miss H didn't pay rent. VFSL also understood she was living with parents, so her living costs were likely to be relatively low. I appreciate Miss H has confirmed she was contributing towards household costs and sending her mother money every month. But as VFSL had confirmation of her housing costs being zero and that she lived at home with parents, I don't think it necessarily needed to do anything more to ensure the lending was affordable.

I have also taken into account what Miss H has explained about disclosing her mental health problems to the broker at the time she entered into the agreement. The evidence I've seen doesn't confirm exactly what was disclosed or whether this was specifically taken into account by VFSL. However, I don't think this in itself ought to have given VFSL cause for concern about the information it received from Miss H or necessarily ought to have prompted further checks in the circumstances.

Having reviewed all the information I have, I'm satisfied VFSL obtained reasonable and proportionate information to make a fair lending decision. I've taken into consideration the terms of the agreement, including the total amount repayable, the monthly repayments and the duration of the agreement. However, I think in circumstances where VFSL understood Miss H was employed, lived with her parents, had managed her credit well and paid nothing towards rent – the checks were reasonable and proportionate.

Did VFSL make a fair lending decision?

Whilst I'm satisfied the checks carried out at the time were reasonable and proportionate, I must now consider whether VFSL made a fair lending decision based on the information it had. Thinking about the information it had about her income, her credit commitments and the fact she was living at home, I think it did make a fair lending decision. I don't think there was anything to suggest the income verified wouldn't be sufficient to meet the repayments, her existing credit commitments and other expenditure which VFSL could expect to be relatively low given Miss H had declared she was living with parents.

I've also thought about Miss H's existing credit commitments based on the search completed by VFSL. Having done so, I don't think there was anything to suggest Miss H was overindebted or not managing her finances and that it would be irresponsible for VFSL to lend to her in the circumstances. All of her accounts were up to date, and she didn't have a significant credit balance.

I appreciate Miss H will be disappointed by my decision. I want to assure her I've thought carefully about everything she has had to say and I understand there were more to her financial circumstances than VFSL understood. However, it is generally accepted that a business can rely on what a consumer tells it unless it has reason to think there is a problem. There wasn't anything in the information it obtained to suggest that it needed to obtain more information or that it ought to question the circumstances as it understood them. Having thought about the information it obtained, I'm also satisfied it made a fair lending decision as it seemed the agreement would be affordable for Miss H.

Did VFSL act unfairly or unreasonably towards Miss H in some other way?

I appreciate Miss H has explained she told the broker she was vulnerable in respect of her mental health. I've reviewed the pre-contract information which was provided to Miss H at the time she entered into the agreement, and I've also seen a copy of the agreement. This included information about the interest rates. There is no set interest rate for this type of agreement, and it can vary depending on the specific circumstances. However, this wasn't unreasonably high when thinking about what was generally being offered at the time.

Both the agreement and pre-contract information were electronically signed by Miss H and the terms were set out within this documentation. Therefore, I'm satisfied reasonable information was provided to Miss H at the time she entered into the agreement and because the documents had been signed, I don't think there was any reason for VFSL to question whether Miss H had properly understood the terms or that she had been pressured into taking out the agreement.

I've reviewed the contact notes, and I can see Miss H called to confirm she was struggling to make payments in June 2024. She was given some options over the phone. She contacted VFSL again in October 2024 about her exit options and explained she was considering part exchanging the vehicle in order to reduce her monthly payments. She then made a complaint. Miss H has said she felt VFSL didn't follow up with her after her initial complaint. I can see there were phone calls in October 2024 in relation to her complaint before and after VFSL issued its final response.

On 6 November 2024, Miss H called VFSL to confirm the car had been sold. Therefore, she voluntarily terminated the agreement. From what I've seen, I'm not persuaded VFSL ought to have done anything further in the circumstances of this complaint. It had discussed her options with her when she called about the repayments. She went on to sell the car and I understand she took out a loan to pay the shortfall which fell due. In the circumstances, I don't think there was anything more VFSL ought to have done here.

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

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 October 2025.

Laura Dean
Ombudsman