

## **The complaint**

Mr A complains that Toyota Financial Services (UK) PLC trading as Redline Finance ("Redline") lent to him by agreeing to fund him for the purchase of a car in February 2023.

## **What happened**

On 21 February 2023 Mr A made an agreement with Redline to purchase a car through finance. It's unclear whether it's a Personal Contract Purchase (PCP) or a Hire Purchase (HP) agreement. Redline has described it as both. And says that Mr A was given the choice of how to pay for the car – PCP or HP. Mr P chose regular monthly repayments with an HP. The credit amount was £26,897, the total cost was £35,876 repayable over 60 months at £564.60 a month.

The car broke down four months after the agreement was signed and the car has not been used since. This element was the subject of a separate complaint about the quality of goods. I am not dealing with that.

After Mr A had complained to Redline in August 2024, it responded with its final response letter giving reasons why it considered it had lent responsibly. Mr A referred his complaint to the Financial Ombudsman Service where one of our investigators looked at the checks Redline had done before lending. He was not satisfied that Redline had done enough but having checked Mr A's finances, our investigator's view was that Mr A was earning on average around £7,000 a month made up of drawings on his business and a salary. So, although he was not able to obtain a full picture of Mr A's finances (due to non-access to accounts held by one bank), the information he did have led him to think that the agreement was affordable.

Mr A disagreed and the unresolved complaint was 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 A's complaint. Having carefully thought about everything I've been provided with, I'm not upholding Mr A's complaint. I'd like to explain why in a little more detail.

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

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 – suggesting the lender needed to know more about a prospective borrower's ability to repay.

The application details have been sent to us and Mr A informed Redline that he was employed and had been for three years and 4 months. Mr A has said his salary from his employment had been £3,100 each month. He was single and had a home with a mortgage where he'd been for three years.

Redline has said that it asked Mr A about his income and it carried out a credit check which gave it no reason to be concerned and so the finance was offered to Mr A. It said:

*'...the customer paid his mortgage of £1163 fine with no issues. Other than that, the small loans/credit cards that were also paid fine.'*

Having reviewed that credit report copy Redline has sent to us I can see that it recorded an insolvency or a County Court Judgment (CCJ) between 2021 and 2023. The value had been £933. Mr A has confirmed it was a CCJ for a loan.

Apart from a mortgage, Mr A had relatively little in the way of outstanding credit – a total debt balance of £2,854 – he was spending £176 a month on a loan which had only a few more months left to run as the balance was only £773, he had a credit card balance of £1,685 to which he was paying £84 a month and he had other accounts costing him £151 a month. There were no arrears.

But I do consider that this wasn't enough information as Mr A had a record of either a CCJ or an insolvency in the recent past, and I think that plus the absence of any other details surrounding Mr A's general living costs leads me to agree with our investigator that better checks ought to have been carried out.

Asking Mr A for further information about his financial situation may have involved him supplying copies of utility bills, copy payslips and evidence of other expenditure and credit accounts for which he was liable. A convenient method, one of several available, was to have reviewed copies of Mr A's bank account statements which usually show a wider picture of his finances and how he was managing his money.

Mr A has told us and sent us evidence that in early 2023 the other business – from which he received cash – was in the process of liquidation. That was finalised in 2024.

Mr A was able to supply one set of bank account statements. Two other sets with a bank (one personal and one for business) were not accessible by Mr A as the business insolvency led to them being closed, and so we've not had sight of those. One new account opened a month before he took the agreement had nothing to show other than a £5 payment in December 2022. So that one adds nothing to the picture.

Mr A mentioned the word 'bankrupt' but I'm unsure what he means as I've done a search and not found any notification of Mr A having become bankrupt. And our investigator has asked Mr A if he was in any kind of insolvency, but he's not told us he was.

Having reviewed the bank statements supplied to us for December 2022 and January 2023 I have seen his salary credit for £3,233 on 23 December 2022. And I can identify some obvious bills, insurances, petrol costs and suchlike. But apart then it's impossible to differentiate which is income from his business, which are transfers back to other business and personal accounts and which are personal costs for the house he was living in at the time. For example, the December 2022 statements show multiple references to other accounts in Mr A's name, plus the name of the business in liquidation (both when it was his as a sole trader and when it became a limited company). The total transfers crediting the account were £30,766 (which would have included the salary figure) and the total being transferred out was £29,398.

For January 2023 (using rounded figures) his salary was £3,233 which was credited on 26 January 2023 and then the transfers were £25,278 in (which would have included the salary figure) and £25,758 out. The difference in January 2023 was that there were multiple returned direct debits on the account. This can be a sign of financial difficulties. But it's

difficult to determine whether these returned direct debits were due to lack of cash or whether Mr A's transfers had been mistimed, leaving too little cash in the account for the direct debits to go through on those dates. Its unclear.

Mr A has sent to us evidence of being in council tax arrears in Sept 2022 and still being chased for that money in 2023. But there's no indication that Redline was aware of that and it's not likely it would have come to light with the credit search as council tax is not a credit related payment. I've no evidence that Mr A told Redline of this.

Mr A has identified a series of parts of his transactions to identify which were for personal cost and which were not.

Mr A has sent to us a copy of his personal credit file which covers the late 2022 and early 2023 period. I have seen that he took a different car finance agreement with a different company one month before he signed up to the Redline one. He has explained that they were both done in his personal capacity.

Mr A has raised several points since the investigator's view – one being failure by Redline to verify his income. But the next step when we assess a complaint is to determine that if Redline had asked Mr A for verification it would have seen that he received a salary of £3,233 in both December 2022 and January 2023. This should answer Mr A's query on income verification.

With that regular salary, after subtracting his mortgage, his credit costs about which Redline was aware, and the cost of the car at £565 (rounded figure) then it would have left Mr A with £1,094 to pay for other costs such as petrol, insurances, food, and bills. And I consider that this would have been the sum on which it based its assessment that Mr A could afford the car. But, added to that, additional checks by Redline would have demonstrated to it that Mr A was regularly drawing several thousand pounds more each month from his business. And this would have counted towards income. And so, with that additional income, Redline likely would not have changed its decision to lend to Mr A.

It would not have known of council tax arrears or his business decline or that he'd just signed up to another car finance agreement with a different company a few weeks earlier. That was costing him £658 a month (I've seen that on the recent credit file he's sent to us) and it was a five year agreement. And that last one would not have been known by Redline as these sorts of credit agreements can take up to 8 weeks to register on a credit file. The credit search Redline did in February 2023 did not show this. This was not Redline's fault: it cannot decide on matters it cannot see or is unaware of. There's no evidence in the account notes that Mr A informed Redline of any of the above.

My view is that in light of all the evidence Mr A has provided for us, including the council tax arrears, the pending liquidation of the company, the CCJ and the fact he'd just signed up to a different car finance agreement one month before applying to Redline, I think it's likely Mr A knew, or ought reasonably to have recognised, that he could not afford this new agreement on his employed salary alone. But the question is whether Redline did, or ought to have done, and I consider not.

But with the drawings from his company I think that Mr A would have thought he could afford it. And additional checks by Redline likely would have led it to conclude the same. So, I don't consider that Redline lent irresponsibly. Because even if it had asked for additional information I consider it still would have thought that Mr S could afford the new car finance agreement with it.

However, it seems likley that Mr S cannot afford it now.

The other complaint surrounding the quality of goods issues may lead to a resolution with which Mr A will be content. But on the irresponsible lending complaint, I do not uphold it.

I've looked at account notes to see if I consider that Redline ought to have treated Mr A more fairly. When Mr A informed Redline about the issues with the quality of the car, it deferred the arrears and amended his credit file record.

In April 2024, the notes show me that forbearance measures were discussed more than once. Mr A told Redline that he was not in financial difficulties, that he could continue to pay and he'd sort out any Direct Debit issues. That was resolved.

In June 2024, Mr A told Redline that he'd changed jobs, but the payments were still affordable as his salary had quadrupled. And the notes extend to November 2024 when still Mr A was in arrears and still Redline were looking to accommodate him. I think that Redline treated Mr A with forbearance and consideration.

I note that in May 2024 Mr A was the subject of a CCJ for £32,000. That may have been for the other car with that other company. Either way, I doubt that Mr A can afford this car and I have seen in one of the account notes, Mr A thought that the ideal situation would be for the car to be returned. I urge both parties to seek to resolve what happens going forward.

I've also considered whether Redline acted unfairly or unreasonably in any other way and I have 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 it lent irresponsibly to Mr A 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.

### **My final decision**

My decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 24 July 2025.

Rachael Williams  
**Ombudsman**