

Complaint

Mr L complains that FCE Bank Plc (trading as “Ford Credit”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

Background

In January 2022, Ford Credit provided Mr L with finance for a brand-new car. The cash price of the vehicle was £28,923.78. Mr L paid a deposit of £1,500.00 (made up of a cash payment of £500 and a deposit contribution of £1,000.00) and entered into a 39-month interest free hire-purchase agreement with Ford Credit for the remaining amount needed to complete the transaction.

The loan was for £27,423.78 and was due to be repaid in 38 monthly instalments of £328.81 followed by an optional final payment of £14,929.41 which Mr L had to make if he wished to keep the car at the end of the term.

Mr L’s complaint was considered by one of our investigators. He didn’t think that proportionate checks would have shown Ford Credit that it shouldn’t have lent to Mr L. So he didn’t think that Ford Credit had done anything wrong or treated Mr L unfairly and didn’t recommend that Mr L’s complaint should be upheld.

Mr L disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

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 L’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr L’s complaint. I’d like to explain why in a little more detail.

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

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 – suggested the lender needed to know more about a prospective borrower's ability to repay.

Ford Credit suggests that various factors - such as Mr L's credit score, what he owed to other lenders, his occupation and how long he'd been employed; how long he'd lived at his address; any deposit; the value of the vehicle and the amount of the monthly payment to this agreement – were all considered before Mr L's application was accepted. This may well have been the case but rather disappointingly, Ford Credit hasn't provided us with anything specific about what it was it learned about Mr L particular circumstances.

As Ford Credit hasn't provided us with the output of what it was that it learnt about Mr L or the actual data which it relied upon to determine that the payments to this agreement were affordable for him, I don't actually know the data that Ford Credit relied upon to reach the conclusion that this agreement was affordable for Mr L.

In these circumstances, I'm simply not in a position to agree that Ford Credit has provided sufficient evidence to demonstrate that it did take reasonable steps to understand whether Mr L could afford the monthly payments. So I'm not satisfied that it did complete fair, reasonable and proportionate affordability checks before entering into this hire-purchase agreement with Mr L.

As proportionate checks weren't carried out before this agreement was entered into, I can't say for sure what they would've shown. So I need to decide whether it is more likely than not that a proportionate check would have told Ford Credit that it was unfair to enter into this agreement with Mr L on the basis that he wouldn't be able to afford the monthly payments.

Given the amount borrowed, the monthly payments and the length of the agreement, in order for Ford Credit's checks to have been proportionate, I think that it would have had to have an understanding of Mr L's income, his payments to existing creditors and his regular living costs.

I note that Mr L has referred to his income being inflated in October 2021 as he was paid by his previous employer. This may or may not be the case. But the reality is that these are submissions made based on the analysis of three months' worth of bank statements. And the truth is that Ford Credit wasn't required to obtain any bank statements at all, let alone three months' worth, as how Ford Credit chose to find out the information it needed to was up to it.

The relevant consideration is what Mr L's income was at the time he made his application, rather than what his average income may or may not have been over an arbitrary period. I say this because the information Mr L has provided about his finances around the time of this application, appears to show that when his actual committed expenditure was deducted from what he was receiving and expected to continue receiving each month, he did have the funds to sustainably make the repayments due under this agreement.

I also have to consider that Mr L's most recent submissions are being made in support of a claim for compensation and what I need to decide here is what Mr L is likely to have disclosed to Ford Credit should it have posed further questions about his financial circumstances. With this in mind I think that any explanations he would have provided at the time are more likely to have been with a view to persuading Ford Credit to lend, rather than highlighting any unaffordability.

And, in these circumstances, I think it is unlikely that Mr L would have engaged in a discussion about his previous employment and a salary average over a number of months, in an attempt to show the monthly payments were unaffordable. This is particularly bearing

in mind that, on the face of things at least, it appears that proportionate checks would have shown the payments were affordable.

In reaching my conclusions, I've also considered whether the lending relationship between Ford Credit and Mr L might have been unfair to Mr L under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Ford Credit irresponsibly lent to Mr L or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I've not been provided with sufficient evidence which satisfies me that Ford Credit's checks before entering into this hire purchase agreement with Mr L did go far enough. Nonetheless, I'm satisfied that had Ford Credit carried out reasonable and proportionate checks, as it ought to have done, this won't have stopped it from providing these funds, or entering into this hire purchase agreement with Mr L.

As this is the case, I've not been persuaded to uphold Mr L's complaint. I appreciate that this will be disappointing for Mr L. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 June 2025.

Jeshen Narayanan
Ombudsman