

The complaint

Miss R complains that CA AUTO FINANCE UK Ltd (CAAF) acted irresponsibly in agreeing to lend to her.

What happened

In August 2023 Miss R acquired a car when she entered into a Personal Contract Purchase (PCP) agreement, a type of hire purchase agreement with CAAF. The cash price of the car was £61,200, an advance payment of £1,500 was made. After interest and charges were applied the total amount repayable was £79,816.40, repayable over 49 months at £1,090.05 a month with an optional final payment of £25,994. Miss R said she'd been persuaded to acquire the car with the intention to transfer the ownership. But this didn't happen, and the car was involved in an accident in September 2023. Miss R complained to CAAF, she said if they'd checked properly, they would have seen that she wasn't employed as a Marketing Manager and didn't earn £40,000 a year.

CAAF said Miss R had passed their affordability check. The instalments were 12% of her gross monthly income. And that a credit reference agency (CRA) check showed she'd a disposable income of £2,867, and a clear credit profile.

Miss R wasn't happy with CAAF's response and referred her complaint to us.

Our investigator said CAAF should have done more to check Miss R's financial situation but said Miss R had sufficient disposable income to sustain the repayments.

Miss R didn't agree and asked for an ombudsman to decide.

I issued a provisional decision in March 2025 that said:

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 set out our general approach to complaints about unaffordable or irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Miss R's complaint. Having carefully thought about everything, I think the key questions to ask here are:

Did CAAF complete reasonable and proportionate checks to satisfy themselves that Miss R would be able to make repayments due under the agreement in a sustainable way?

- If so, did they make a fair lending decision?*
- If not, would those checks have shown that Miss R would have been able to do so?*
- Did CAAF act unfairly in any other way?*

CAAF provided this agreement under the authorisation and regulation of the Financial Conduct Authority (FCA). The rules and regulations in place required CAAF to carry out a reasonable and proportionate assessment of Miss R's ability to make the repayments under this agreement.

This assessment is sometimes referred to as an "affordability assessment" or "affordability check". The checks had to be "borrower" focused – so CAAF had to think about whether making repayments sustainably would cause difficulties or adverse consequences for Miss R. In other words, it wasn't enough for CAAF to simply think about the likelihood of getting their money back, they had to consider the impact of the repayments on Miss R.

Checks also had to be proportionate to the specific circumstances of the application for the agreement. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g., financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they are seeking. I think that a reasonable and proportionate check ought generally to be more thorough:

- the lower a customer's income;
- the higher the amount due to be repaid; and
- the longer the term of the agreement.

I've carefully considered the checks carried out by CAAF. They said they'd checked with a CRA and found that Miss R had a clear credit profile and sufficient disposable income - £2,867, to sustain the repayments. They also said the monthly repayment equated to 12% of Miss R's gross monthly income. Which I think would mean Miss R would have had to have a gross monthly income of around £9,000. From the information provided by CAAF I can see they confirmed Miss R had a bank account, and that her credit commitments were low, communications and media. And based on this they agreed to lend to her.

But Miss R was entering into an agreement for a total repayable amount of nearly £80,000. And she would be committed to repayment of this over 49 months with the option of a final payment of around £26,000. As outlined above as the amount being borrowed was high I think CAAF should have done thorough checks to confirm Miss R's income rather than a reliance on data. So, I don't think CAAF's checks were sufficient for the amount being borrowed.

Miss R has provided her credit report and bank statements. In the three months up to the lending, in May 2023 Miss R earned around £1,267, in June 2023 around £1,376, and in July 2023 £1,346, considerably less than that assessed by CAAF. The statements show other payments into the account which Miss R says were from family members and which I can see were quickly transferred back out of the account. These payments most likely distorted Miss R's current account income activity. Her repayment under the agreement each month was around £1,090 – at best this equated to 80% of her monthly income, not the 12% considered by CAAF.

While I can see from Miss R's statements that her non-discretionary spending was low, around £110 a month and that she'd no discernible household costs. She was also able to put aside some of her income each month into her savings account. But I don't think the repayments were sustainable given her debt-to-income ratio, her non-discretionary spending and that on acquiring a car it'd be expected she'd have the added expenditure of car running costs such as tax, insurance and petrol.

Miss R said she was persuaded by a friend to acquire the car and had falsely inflated her income. But I think if CAAF had properly checked they would have seen this to be the case and I don't think on the evidence they should have gathered that they would have agreed to lend to her.

I understand the car has been involved in an accident and is the subject of an insurance claim. I also understand the car was repossessed in October 2024.

As I don't think CAAF should have approved Miss R's Loan, I don't think it's fair for them to charge any interest or other charges under the agreement. I know Miss R said she didn't have use of the car, but I can see from CAAF's records that they made numerous attempts to try to resolve the situation and to trace the whereabouts of the car. As well as providing options to Miss R as she said she was struggling to sustain the repayments. I think Miss R had responsibility for the car from August 2023 until it was repossessed in October 2024 and I think it's fair she pays something for this. There isn't an exact formula for how this is calculated. I've considered the cash price of the car, the deposit paid, the removal of the final option payment as well as the interest and charges applied. Taking this into consideration I think Miss R should pay £688 for each month she'd the car which equates to 14 months a total of £9,632.

I've also considered whether CAAF acted unfairly or unreasonably in some other way given what Miss R has complained about, including whether their relationship with her might have been viewed as unfair by a court under a Section 140A Consumer Credit Act 1974. But because I'm currently minded to uphold Miss R's complaint already for the reasons I've explained I don't think I need to make a finding on this. I believe the redress I've suggested results in fair compensation for Miss R in the circumstances of her complaint.

Responses to my provisional decision.

CAAF asked for more time to consider further representations, and this was given but no further information has been sent for me to consider.

Miss R asked that I should consider making an award for the distress and inconvenience that has been caused to her by CAAF. She said CAAF's failure to carry out a proper affordability checks had caused her emotional and financial stress.

I've carefully considered Miss R's comments, but I must also consider how she could have mitigated this. Miss R said she didn't provide accurate information when she applied for the lending, as she'd fabricated her employment and income, so she ought to have known at the time of her application that she wasn't able to sustain the repayments. Miss R said this was because it hadn't been her intention to keep the car as she was going to transfer it to someone else. But this didn't happen, and this isn't something I can hold CAAF accountable for. As I also outlined in my provisional decision CAAF had tried to resolve the situation with Miss R on several occasions as well as providing exit options for her. But Miss R failed to fully engage with them or keep them updated about changes in her circumstances. So, I think Miss R's own actions added to any distress and inconvenience caused and she could have mitigated these.

While I accept CAAF should have done more to establish Miss R's financial situation I think the compensation I've decided upon is fair taking all these factors into account. So, I haven't been persuaded to change my outcome.

My final decision

I uphold this complaint. And to ask CA AUTO FINANCE UK LTD to do the following to settle

the complaint:

- End the agreement with nothing further to pay unless this has already been done.
- Refund any payments Miss R has made above the £9,632 along with *8% per annum simple interest from the date of each overpayment to the date of settlement, and
- Remove all adverse information about this loan from Miss R's credit file. Or
- If Miss R has paid less than the £9,632 CAAF should work with Miss R on an affordable repayment plan after which they should remove any adverse information recorded (once any outstanding amount is cleared) on Miss R's credit file regarding the agreement.

**HM Revenue & Customs requires CA AUTO FINANCE UK LTD to take off tax from this interest. They must give Miss R a certificate showing how much tax they've taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 8 May 2025.

Anne Scarr
Ombudsman