

Complaint

Miss S complains that Volkswagen Financial Services UK Limited (trading as “Audi” Financial Services) unfairly entered into a hire-purchase agreement with her. She’s said the agreement was unaffordable and so she shouldn’t have been accepted for it.

Miss S is being assisted by “the representative” in her complaint.

Background

In March 2017, Audi provided Miss S with finance for a used car. The cash price of the vehicle was £19,492.00. Miss S paid a deposit of £646 (£546 of which was paid in cash and the remaining £100 was what Miss S received for part-exchanging her previous car) and entered into a 49-month hire-purchase agreement with Audi to cover the remaining £18,846.00 she required.

The loan had interest, fees and total charges of £7,745.27 (made up of interest of £7,735.27 and an option to purchase fee of £10. So the balance to be repaid of £26,591.27 (not including Miss S’ deposit) was due to be repaid in 48 monthly instalments of £390.99 followed by an optional final monthly payment of £7,823.75.

In December 2023, Miss S complained that the agreement was unaffordable. Audi didn’t uphold the complaint. In its view, it was satisfied that Miss S could afford to make her repayments and it was therefore reasonable to lend. Miss S remained dissatisfied and referred her complaint to our service.

Miss S’ complaint was considered by one of our investigators. He didn’t think that Audi had done anything wrong or treated Miss S unfairly. So he didn’t recommend that Miss S’ complaint should be upheld. The representative, on Miss S’ behalf, 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 Miss S’ complaint.

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

Audi needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Audi needed to carry out proportionate checks to be able to understand whether Miss S could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Audi carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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.

Audi says it agreed to this application after it completed an income and expenditure assessment on Miss S. During this assessment, Miss S provided details of her employer. Audi says it also carried out credit searches on Miss S which showed some well-maintained existing credit accounts with outstanding balances. Finally, Miss S also said that she lived at home with parents and had little in the way of outgoings.

In its view when the amount reasonable repayments to the amount Miss S already owed, plus a reasonable amount for Miss S' living expenses were deducted from her monthly income the monthly repayments for this agreement were affordable.

On the other hand, the representative says that the monthly payments to the agreement were unaffordable and so Miss S shouldn't have been lent to. I've carefully considered what the parties have said.

The first thing for me to say is that Audi has provided a record of the results of its credit searches. Audi searches appear to show that Miss S had some existing credit commitments and that these had been well maintained.

The representative has said that it has reviewed Miss S' bank statements and the information contained within them shows that she couldn't sustainably make her payments. I've thought about what the representative has said. The first thing for me to say is that Audi was not required to review Miss S' bank statements. So while the representative might have chosen to this, it doesn't mean that Audi was aware of what it has referred to, or even that it ought to have been aware of this.

Secondly, by carrying out a credit check Audi took steps to check what monthly payments to Miss S' credit commitments were likely to be. So I don't think that it would have been aware that Miss S had been making substantial overpayments on her credit cards in the lead up to this agreement, or that she would continue doing so after taking it out. All Audi would have been aware of was the balance Miss S owed and whether she would have been making her payments all the time.

I also need to consider the representative's comments in the context that they are being made in support of a claim for compensation, rather than an attempt to persuade a lender to provide funds for a vehicle, which Miss S' submissions at the time would have been concerned with as she clearly wanted at the time. In these circumstances, I think it unlikely and less likely than not that Miss S would have said she would make be making payments to her credit card which would render this agreement unaffordable, which she wasn't contractually obliged to make going forward.

Indeed, I think that it is more likely that Miss S was overpaying on her credit cards in the period leading up to this application, as she had the funds to do so at the time and in the anticipation that she wanted to reduce what she owed and what she was obliged to pay going forward. I think it is unlikely that Miss S would have told Audi that she'd continue doing this once this agreement started.

I accept that it's possible Miss S' actual circumstances may not be fully reflected in either the information she provided to Audi or the information it obtained. However, at the absolute most it could be argued that Audi ought to have found out more about Miss S' living costs rather than relying on what Miss S said about living at home with parents.

As I've explained, Audi could rely on what it knew about Miss S' income and credit commitments and didn't need to request bank statements. I've not seen anything to indicate that if Audi had found out more about Miss S' living expenses and used this to supplement the rest of the information that it was entitled to rely on, it would have seen that the payments to this agreement were unaffordable.

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

However, for the reasons I've explained, I don't think Audi irresponsibly lent to Miss S or otherwise treated her unfairly in relation to this matter. And 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.

So overall and having carefully considered everything, while there is an argument for saying that Audi's checks before entering into this hire-purchase agreement with Miss S didn't go far enough, I've not been persuaded that reasonable and proportionate checks would have prevented Audi from providing these funds, or entering into this agreement with her.

I appreciate that this will be disappointing for Miss S. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss S' complaint.

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

Jeshen Narayanan
Ombudsman