

## **Complaint**

Mr G complains that Carmoola Limited (trading as “Carmoola”) unfairly entered into an unaffordable hire-purchase agreement with him.

## **Background**

In September 2023, Carmoola provided Mr G with finance for a used car. The purchase price of the car was £13,995.00. Mr G didn't pay a deposit and entered into a hire-purchase agreement with Carmoola which covered the entire amount of the purchase.

The loan had interest, fees and charges of £4,258.00 (made up of interest of £4,257.00 and an option to purchase fee of £1) and a 36-month term. This meant that the total amount to be repaid of £18,253.00 was due to be repaid in 35 monthly instalments of £507.00 followed by a final monthly instalment of £508.00.

Mr G complained that the agreement was unaffordable and so should never have been provided to him. Carmoola didn't uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

Mr G's complaint was considered by one of our investigators. She didn't think that Carmoola hadn't done anything wrong or treated Mr G unfairly. So she didn't recommend that Mr G's complaint should be upheld. Mr G 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 G's complaint.

Having carefully considered everything, I've decided not to uphold Mr G's complaint. I'll explain why in a little more detail.

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

Carmoola says it agreed to this application after Mr G provided details of his monthly income which it says it cross checked against information from a credit reference agency on the amount of funds going into Mr G's main bank account. Carmoola says it also carried out credit searches on Mr G which showed that Mr G didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") - recorded against him. It considered that Mr G's active credit accounts were being well managed.

In Carmoola's view, when the amount due on Mr G's existing credit commitments plus an estimated amount for Mr G's living expenses, based on statistical data, were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr G says these payments were unaffordable for him and further checks would have shown this.

I've thought about what Mr G and Carmoola have said.

The first thing for me to say is that it's clear that Carmoola obtained a reasonable amount of information from Mr G before lending. Indeed, Carmoola didn't simply accept Mr G's declaration of his income at face value, it took steps to cross check the declaration and the information it obtained suggested that Mr G's declaration was plausible.

I've also seen records of the information Carmoola obtained from Mr G about his income and what was on the credit search carried out. While I appreciate that Mr G may disagree with this, I don't think that the amount of credit he had was excessive bearing in mind his validated income at the time. Furthermore, I don't think that the single late payment Mr G has highlighted in itself shows that Mr G was experiencing difficulty. This is particularly bearing in mind that there was no significant adverse information recorded against him.

As there wasn't anything in the information that Carmoola gathered that was inconsistent or difficult to explain, I don't think that it was unreasonable for Carmoola to rely on what Mr G provided about his income and expenditure during his application. And as the information obtained showed that the monthly loan payments were affordable, I don't think that it was unreasonable for Carmoola to lend.

I accept that Mr G says that his actual circumstances are not accurately reflected in the information Carmoola had. For example, I've said that he's said he was paying over £700 in child maintenance each month. However, Mr G was asked to disclose how much he was paying towards his children and he said that he was paying £220 a month. Carmoola had no reason to disbelieve or doubt what Mr G had said and I'm also mindful that Mr G payments to child maintenance won't have shown up on the credit search. So it wouldn't have had a way of validating what Mr G declared about this.

I've also seen what Mr G has said about gambling transactions in the period leading up to this application. I accept that if Carmoola had known about these transactions as Mr G appears to be saying it should have it is possible, but by no means certain, that it may have reached a different decision on lending to him.

However, I think it's fair to say that the extent of any gambling would only have been discovered if a full review of Mr G's bank statements had taken place. In my view, this simply isn't commensurate with a proportionate check, in this instance, given Mr G's credit history was reasonable and what the rest of the checks showed.

I also think that it is worth noting that Mr G had the most knowledge about his true situation and nonetheless considered it a reasonable time purchase a car on finance. In these

circumstances and bearing in mind that some of what Mr G declared was inaccurate, I consider it unlikely – and certainly less likely than not – that Carmoola attempting to find out more would have shown it that the payments to this agreement were unaffordable.

For the sake of completeness, I would also add that while this isn't in itself determinative, it's also worth noting that Mr G not only made the vast majority of his payments when they fell due for the period he had the agreement, he also settled the agreement in full just over halfway into the term. Mr G's repayment record and actions do tend to support the fact that this agreement was affordable for him.

Overall and having carefully considered everything, I'm satisfied that Carmoola obtained sufficient information and made a reasonable decision to lend to Mr G. In the alternative, even if I were to say that Carmoola ought to have done more here, this simply won't have extended into requesting bank statements from Mr G. Therefore, I'm satisfied that Carmoola doing more, won't have stopped it from providing these funds, or entering into this agreement with Mr G. It follows that I'm also satisfied that Carmoola didn't act unfairly towards Mr G when it agreed to provide the funds.

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

However, for the reasons I've explained, I don't think Carmoola irresponsibly lent to Mr G or otherwise treated him 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.

Overall and having carefully considered everything, I've not been persuaded to uphold Mr G's complaint. I appreciate that this will be disappointing for Mr G. 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 G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 June 2025.

Jeshen Narayanan  
**Ombudsman**